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ABSTRACT

The significant role of the federal government in the support of higher education is noted in a survey of the development and changing patterns of federal support, and a critical review of the directions of current federal policy is offered. Implications are drawn about the effects of this policy on such national concerns as providing equal educational opportunity and maintaining the quality of the nation's postsecondary education system. An important distinction is made between the identification of federal policy through the legislative process of establishing programs (authorization) and the implementation of federal policy through the legislative process of funding programs (appropriation). Consideration is given to such critical issues as completing priorities for federal and state funds, different enrollment trends, emphasis on student aid almost to the exclusion of institutional aid, and the problem of maintaining low-cost public higher education while also preserving a viable private education sector. The student aid funding levels for disadvantaged students are found to be insufficient, and increasing costs and rigorous financial needs tests are reducing the college attendance rates of middle income students. New directions for identifying and implementing federal policy to serve national purposes are given. (LBH)

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1976

# The Implications of Federal Education Policy

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Clifton Conrad
and Joseph Cosand

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# The Implications of Federal Education Policy

Clifton Conrad
and Joseph Cosand

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## Foreword

This timely and provocative paper points out that the Federal Government has played a significant role in the support of higher education since the early years of the Republic, although the prime responsibility for financing higher education has historically rested with the states. Following a survey of the development and changing patterns of federal support, the authors provide a critical review of the directions of current federal policy. Implications are then drawn about the effects of this policy on such national concerns as providing equal educational opportunity and maintaining the quality of the nation's postsecondary education system. An important distinction is made between the identification of federal policy through the legislative process of establishing programs (authorization) and the implementation of federal policy through the legislative process of funding programs (appropriation).

Against the background of Congressional action to revise and renew the provisions of the Higher Education Amendments of 1972, consideration is given to such critical issues as competing priorities for federal and state funds, different and in some cases diminishing enrollment trends, federal emphasis on student aid almost to the exclusion of institutional aid, and the problem of maintaining low-cost public higher education while at the same time preserving a viable private higher education sector. The authors point out that the current student aid funding levels are insufficient to bring about access and reasonable choice to disadvantaged students. They further argue that increasing costs and rigorous financial needs tests are reducing the college attendance rates of middle-income students. The principal shortcoming of federal policy, as developed in this report, is that it fails "to promote the health and diversity of higher educational institutions." Following this discussion, new directions for identifying and implementing federal policy to serve national purposes are given. These directions include student aid proposals for bringing about equal educational opportunity in the broad sense and direct institutional grants designed to strengthen and improve instructional programs.

This report, which is the initial one of a series dealing with critical issues in American postsecondary education in 1976, is intended to be of pointed interest and usefulness not only to teachers and educational

researchers but as a reference and "centerpiece" for discussion to individuals and groups having administrative, policy making, and decision-making responsibilities in postsecondary education.

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## Overview

For nearly a decade—during which time unprecedented growth occurred followed immediately by a period of economic crisis—a vigorous debate took place concerning the role of the Federal Government in American higher education. In the late 1960's and early 1970's, a significant number of study groups—such as the Carnegie Commission on Higher Education, the two Newman Task Forces, and the National Commission on the Financing of Postsecondary Education—made a series of recommendations regarding the federal role. Some of these recommendations became government policy when the 1972 Education Amendments were passed into law. This was viewed by some as marking a new direction in the federal role in education, however others wished to add additional considerations to the Amendments. In the past four years, federal funding patterns have shifted dramatically from a pattern of direct institutional aid to funding higher education by awarding financial aid directly to students, especially those students from low-income families.

The current pattern of federal involvement seems firmly established, but many educators believe there is need for a reexamination of the role the Federal Government is now playing in the affairs of higher education. The purpose of this report is to address that question, since it appears that too much of the recent debate has focused on the strengths and weaknesses of particular student aid programs and not enough attention has been given to the more overriding issue of the shift in recent federal-aid-to-education policies. This report is intended to be a discussion-piece on this issue.

The first chapter presents a brief overview of the history of the federal role. Four major stages are identified, the focus being on the most recent period (1970 to the present). Particular attention is given to the 1972 Education Amendments, including the newly-authorized student aid programs and the new federal relationship with the states. Recent funding patterns are discussed to highlight the importance of the Amendments and to identify the major trends in federal higher education policy.

The next chapter considers the implications of federal policy in the achievement of two national goals: (1) equality of opportunity and (2) institutional health and diversity. In the matter of equality of opportunity, it is purported that while some progress is being made to-

ward the achievement of universal access, the broader goal of greater social equality is not being realized by the majority of groups previously denied access to higher education. Equality of opportunity, defined both in terms of universal access and greater social equality, has not been adequately fostered through current federal student aid programs, which are aimed directly at disadvantaged students. Unequal and inadequate funding of current student aid programs suggests that access will not substantially increase for disadvantaged students. For those students gaining entrance to higher education for the first time, the promise of socio-economic mobility through freer access to education has been, and will likely continue to be, tempered by trends in the job market for college graduates, which suggests a marginal rate of return on their college investment.

Institutional health and diversity is defended as a major national goal, primarily on the grounds that the current federal emphasis on student aid funding is accepted as a mechanism for reconciling the goals of both equality of opportunity and institutional health and diversity. That is, disadvantaged students will be allowed greater access while institutions indirectly become a beneficiary of federal support through these students. The existence of a present and growing financial crisis in American higher education is briefly documented. While this crisis is not attributed directly to federal policy, it is argued that current federal funding of postsecondary education through students has not necessarily served as an effective means to promote the health and diversity of higher educational institutions. In particular, the implementation guidelines of many student aid programs and the level of federal support have contributed only minor assistance to private institutions. It is predicted that if federal funding continues to follow its present course, the achievement of both equality of opportunity, in general, and institutional health and diversity may be placed in further jeopardy.

Following the discussion of implications, the final chapter offers three recommendations for the federal role in higher education. These recommendations suggest a new direction, and challenge current federal policy as well as the proposals made by a number of national commissions concerned with the federal role. Most importantly, it is suggested that institutional grants for *instructional purposes* serve as a second major vehicle of federal support. Institutional grants, in roughly equal proportions, should take the form of cost-of-education supplements and direct institutional grants. This means that the overall trend of federal funding of postsecondary education almost entirely through students should be reevaluated.

Finally, it is recommended that direct institutional support for postsecondary education should be *complemented* by student aid programs for eligible students, especially through the BEOG, SSIG, CWS, and GSL programs. This recommendation also emphasizes, however, major modifications in their program features and increased levels of funding.

## A Review of Federal Higher Education Policy

One way to trace the role of the Federal Government in American higher education is chronologically, illustrating major trends and identifying significant dates and events. Taking this approach, four stages or chronological periods of change in federal policy can be distinguished and will be discussed: (1) 1636 to 1862; (2) 1862 to 1945; (3) 1945 to 1970; and (4) 1970 to the present.

*Stage One: 1636-1862*

During Stage One only a hint of federal interest in higher education was apparent. The first precedent of government support was at the local level when the General Court of Massachusetts appropriated monies toward the establishment of Harvard College in 1636. Although several of the Founding Fathers, including Washington and Jefferson, were in favor of a national university, there was no mention in the Constitution of a federal role in higher education. Support for a national university continued to build in the latter part of the eighteenth century, but this objective was never realized because of a distrust on the part of the states of centralized government and control (DeVane 1965, p. 121).

The initial federal involvement in higher education resulted from the passage of the Northwest Ordinance of 1787. This act was motivated less by a concern for higher education than by an interest in the settlement of new lands and in the money from their sale. To promote the desirability of the Northwest Territories to early settlers, Congress included a provision in the Ordinance to reserve two townships for the support of a university (Axt 1952, p. 27). As a consequence of the Ordinance, each state admitted to the Union after 1802, with only three exceptions (Maine, Texas, and West Virginia), was granted land as an endowment for a university (Knight 1960, p. 42).

At the beginning of the nineteenth century, Congress established military institutions to serve the national interest for highly-skilled manpower. The U. S. Military Academy at West Point was established in 1802 and the U. S. Naval Academy was begun in 1845. Although West Point was not a national university in the sense that many of the Founding Fathers had envisioned, its establishment exemplified for the first time the willingness of the Federal Govern-

ment to support higher educational institutions to produce skilled manpower (Babbidge and Rosenzweig 1962, p. 7).

The Dartmouth College Case of 1819 led to a Supreme Court ruling that a charter given to an institution is irrevocable. This case is credited with fostering the dual system (private-public) of higher education that exists to this day in the United States. Although this case did not lead to increased federal involvement in higher education, it encouraged the establishment of institutions independent of the government and stimulated state governments to provide higher education for its citizens.

In 1830 the Federal Government began to tap the research potential of higher educational institutions. The Franklin Institute of Philadelphia was given a federal contract for investigating the cause of explosions in steam boilers (Hamilton and Laufer 1975, p. 3). Although the Federal Government became more actively involved in American higher education at the turn of the nineteenth century, this first stage was only a portent of a major federal role.

*Stage Two: 1862-1945*

This second period marks the first major involvement in American higher education by the Federal Government. However, federal participation during this entire period occurs through legislative action in terms of specific federal concerns. While a sustained federal commitment to the vitality of higher education is not realized, federal legislation and funding patterns begin to lay the groundwork for the post-World War II view of higher education as being in the national interest.

The first significant involvement in higher education by the Federal Government followed the passage of the Morrill Act of 1862. This legislation gave land-grants to the states. The proceeds from the sale of these lands were to form a perpetual fund in each state to establish one college in which the mechanical arts and agriculture would be taught (Axt 1952, p. 38). The land-grant colleges were to emphasize vocational and professional education rather than "liberal education," and research activities were to be "practical" and directly applicable to the needs of a growing nation. The passage of the Morrill Act marks the emergence of a definable federal role in higher education because it:

- Introduced the policy of categorical grants for institutions of higher education (Wolk 1968, p. 10).
- Did not require land-grant institutions to be public in support,

thereby setting an important precedent that federal support would not be limited to public institutions.

- Established the policy whereby the Federal Government would provide for the "general welfare" in strengthening manpower development in designated areas.
- Recognized the need for higher educational institutions to remain autonomous in control.

However, following the Morrill Act, federal involvement in higher education was erratic until the Second World War. Still, some pieces of legislation became harbingers of the current federal role. A Department of Education came into being in 1867 with the sole purpose of gathering and disseminating information about education. Although two years later the Department was relegated to "office" status, the importance of education to the nation was established in the bureaucracy.

The Hatch Act of 1887 marked the first federal support to the states for "practical research," and the Second Morrill Act in 1890 authorized federal funding in specific subjects: agriculture, engineering, and the natural sciences (Wolk 1968, p. 10). The importance of the Morrill Act of 1890 influenced higher education in two major ways. First, the annual income of land-grant institutions was more than doubled by "federal sources," thereby further committing the government to support these institutions. Second, this funding simultaneously marked an upswing in the importance, quality, and quantity of public higher education. According to a report of a recent task force studying federal aid to education: "With the passage of the Second Morrill Act in 1890 the Congress adopted a policy of annual appropriations to the land-grant colleges" (Hamilton and Laufer 1975, p. 10).

During the First World War, there were several pieces of legislation that served to heighten the federal involvement in higher education. The Smith-Lever Act of 1914 provided matching funds for extension services in agriculture and home economics. The National Defense Act of 1916 contained the basis for the Reserve Officer Training Corps that later served as a significant source of revenue to many institutions. The Smith-Hughes Act of 1917 was an extension of the First Morrill Act and provided federal support for vocational education. Following the war, the Vocational Rehabilitation Act (1919) was passed, which provided for the training of veterans who could not find suitable work. A year later, war surplus materials were sold to colleges and universities at very little cost. These few

exceptions notwithstanding, federal interest in higher education waned between World War I and the Depression.

During the Depression, the Federal Government supported educational programs through several pieces of legislation. The Federal Emergency Relief Administration initially instituted the College Student Work Program in 1935. Approximately 1,500 colleges participated in the program, which provided about 620,000 students with part-time jobs to enable them to remain in college (Axt 1952, p. 81). This federal program stimulated college attendance during a period when state and private resources for higher education were being seriously reduced. In addition, the Public Works Administration helped to finance construction at colleges and universities, although the support was only provided to public institutions.

World War II marked a turning point in the heretofore fluctuating relationship between higher education and the Federal Government. Two major trends are conspicuous: (1) rapidly growing federal support of research, and (2) student financial assistance for veterans. During the War, research contracts at major universities were financed by the Federal Government with the intention of finding technological solutions to winning the war. War veterans, totalling three and one-half million in number, received financial aid directly from the Federal Government under the auspices of the Servicemen's Readjustment Act of 1944, better known as the G.I. Bill of Rights. This legislation was largely responsible for the near doubling of college enrollments from 1940 to 1950; by 1947, one of every two college students were being funded by the G.I. Bill (Van Alstyne 1975, p. 2).

*Stage Three: 1945-1970*

Prior to World War II, federal involvement in higher education had primarily consisted of those major pieces of legislation that closely paralleled periods of war or depression. The Second World War, by stimulating increasing federal involvement in research and aid to returning veterans, marked the beginnings of a federal policy built upon the belief that the Federal Government should provide support to higher education because it was clearly in the national interest. The post-War period was one of unprecedented growth in higher education; this expansion was not unrelated to substantial increases in federal support for higher education.

The Cold War of the late 1940's and 1950's produced an enormous fear of communist aggression in this country. As one way of preparing for the national defense, the Federal Government increasingly

supported the expansion of research in the nation's colleges and universities. In 1940 the Federal Government had provided a modest $15 million in grants and contracts to universities for research and development. Two decades later, the figure had grown to $462 million and was rapidly increasing (DeVane 1964, p. 126).

In addition to research funding, large sums of federal monies were appropriated for such related purposes as development programs in higher education, specialized training and education, fellowships, and scholarships. Federal legislation and policy in the 1950's and 1960's stimulated the attendance of students as well as encouraging the expansion of collegiate physical plants and the upgrading of the undergraduate curriculum. Federal money and policy became a significant force behind the unprecedented expansion of American higher education in these two decades. By 1963, more than 2,100 institutions of higher education received some form of federal aid (Hamilton and Laufer 1975, p. 25).

Before 1958, however, the Federal Government had not assumed a heavy obligation for the support and improvement of higher education. The government had primarily employed the services of universities and colleges for its own particular purposes and needs. The passage of the National Defense Education Act in 1958 signified the beginning of a federal commitment to the well-being of higher education as a major contributor to the strength and vitality of the nation. Congress declared that "the security of the Nation requires the fullest development of the mental resources and technical skills of its young men and women . . . This requires programs that will give assurance that no student of ability will be denied an opportunity for higher education because of financial need." A program of student loans and graduate fellowships was begun to implement the new policy. More directly than ever before, the passage and funding of the NDEA program represented a federal commitment to higher education based on the premise that the purposes of higher education are closely allied with the national interest.

Federal research grants notwithstanding, federal support gradually turned to institutional aid in the form of categorical grants for special purposes. Two pieces of legislation were of particular importance. The Higher Education Facilities Act of 1963 provided both grants and loans to institutions of higher education for the construction of academic and library facilities. More important, the Higher Education Act of 1965 was concerned with the direct allocation of funds to institutions. Included were the following authorized

major program areas: community service and continuing education programs (Title I); library resources (Title II); aid to developing institutions (Title III); improvements of educational instruction (Title VII); and construction of academic facilities (Titles VII and VIII).

In addition to institutional aid, a new federal goal of "universal access" to higher education emerged from the Great Society programs of the mid-1960's. President Johnson's Higher Education Amendments (1965) provided the first legislation for student grant assistance to disadvantaged students, Title IV established the Educational Opportunity Grant Program, the College Work Study Program, and the Guaranteed Student Loan Program. Although few programs have been funded at authorized levels, the Federal Government made a major commitment to "universal access" or "equality of educational opportunity."

In summary, there were several pronounced trends in federal policy toward higher education from 1945 through the late 1960's. First, the Federal Government became a major source of funds for student grants and loans—in large measure to promote the achievement of universal access. Second, the Federal Government increasingly viewed higher education in the national interest and institutions as a consequence were funded through a variety of grants, contracts, and loans. Although nearly all of this institutional aid was for special purposes, such as research, buildings, and training, the Federal Government was no longer supporting higher education solely for its own purposes. Higher education was accepted as a major national resource and federal support was in large measure directed toward promoting the health and diversity of American higher educational institutions.

*Stage Four: 1970-Present*

Based upon federal higher education policy since World War II, the Federal Government has, in our view, accepted several special responsibilities. The identification of these broad federal goals serves as a useful benchmark for the examination of recent trends in federal higher education policy. These federal responsibilities include:

- To promote "equality of educational opportunity" in American higher education.
- To promote and help maintain an excellent system of higher education as a policy in the national interest.
- To promote a system of postsecondary education that is diversi-

fied as to purpose and control, including both public and private institutions.

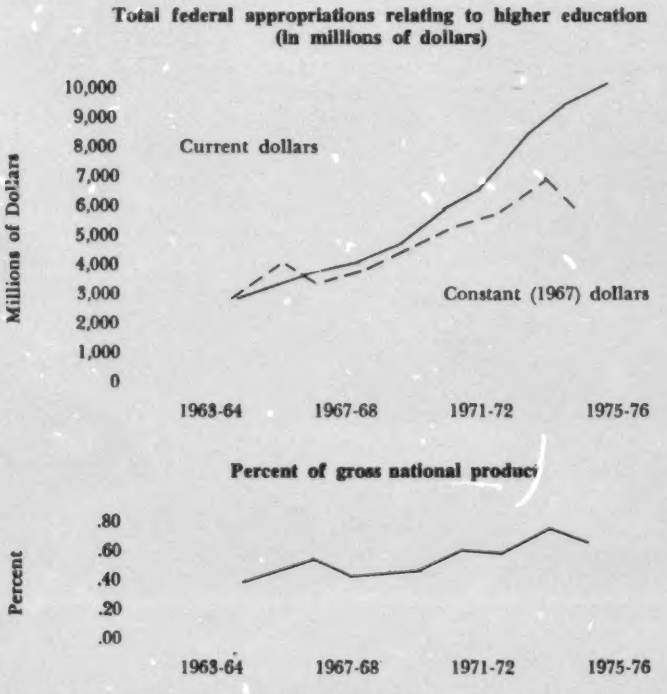
Despite total increases in federal expenditures for higher education and with the major exception of Affirmative Action, there has been a major trend toward "withdrawal" of direct federal involvement in postsecondary education. In the early 1970's, discussions in the Congress frequently centered around two major issues: (1) the relationship of the Federal Government to the states in terms of their relative responsibility for higher education, and (2) whether institutions should continue to receive federal financial support directly or whether financial assistance should largely be channeled through students. The Education Amendments of 1972 represent the outcomes of these debates which, in effect, established the climate of gradual federal withdrawal from direct institutional aid and moving toward the acceptance of student aid programs—essentially through a "market model"—as a more effective and efficient method for the federal support of postsecondary education, primarily at the undergraduate level.

The 1972 Amendments called for the development of state 1202 Commissions. The Amendments required that states desiring certain types of federal financial assistance form state commissions with the power "to make studies, conduct surveys, submit recommendations, or otherwise contribute the best expertise from the institutions, interest groups, and segments of society most concerned with a particular aspect of the Commission's work" (Public Law 92-319, Title IX, §1202). Proprietary schools, vocational schools, and technical institutes were to be the concern of the 1202 commissions as well as the "traditional" public and private institutions of higher education. By seeking to foster the adoption of state planning commissions, the government hoped to maintain and encourage diversity, foster the dissemination of new ideas, and discourage duplication of services, to provide the state with a stronger and more efficient system of postsecondary education. But symbolically, at least, an underlying message of Section 1202 was that the states should assume more responsibility for the financing of postsecondary education.

*The Changing Pattern of Federal Funding*

Figure 1 displays federal appropriations for higher education from 1964-1965 to 1974-1975. Although these appropriations levelled off beginning in 1967-1968, federal appropriations have risen steadily in constant dollars. However, as the rate of inflation accelerated, there was a decline between 1973-1974 and 1974-1975 in money

*Figure 1. Federal Appropriations Relating to Higher Education, 1964-65 to 1974-75, and Percentage of GNP*

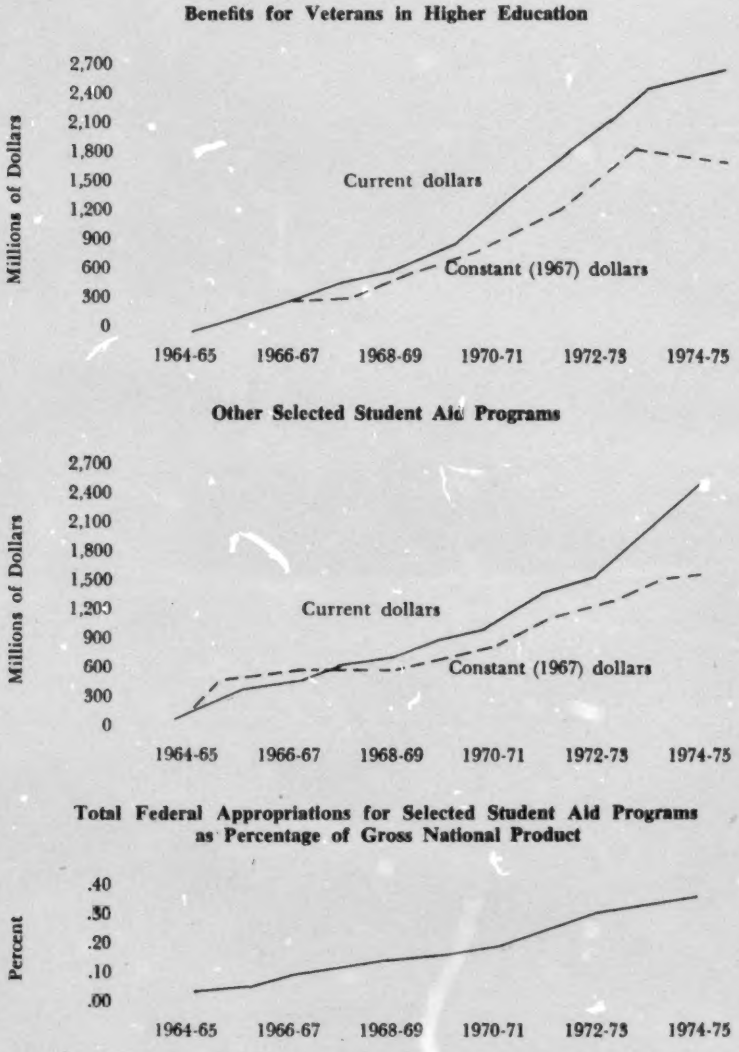



Source: Carnegie Council on Policy Studies 1975, p. 10.

appropriated for higher education in both constant dollars and as a percentage of the Gross National Product.

The steady rise in total federal expenditures can largely be attributed to annual increases in student aid expenditures. Figure 2 illustrates the upward trend in federal appropriations for student aid programs. To some extent, the increases in student aid programs have been unplanned. For example, expenditures on veteran's benefits, social security benefits, and interest and defaults on insured loans are open-ended and nondiscretionary. In large measure, however, student aid expenditures can be tied to changes in federal funding patterns following the passage of the Education Amendments of 1972.

*Figure 2. Federal Appropriations for Selected Student Aid Programs, in Current Dollars and Constant (1967) dollars, 1964-65 to 1974-75.*




Source: Carnegie Council on Policy Studies 1975, p. 12.

The Education Amendments marked a new approach to the financing of higher education and could become nearly as important in their impact on higher education as the Land Grant Act of 1862. In brief, the bill extended most of the federal programs affecting higher education as authorized in previous legislation and added new programs of assistance for students. In addition, there were provisions for aid to institutions involving formulas based on the amounts of federal monies received by and for the aid of financially disadvantaged students. The major feature of the legislation provided for a new program of basic grants to individual students based on need, and indirect "follow-up" support for institutions that attempted to extend postsecondary educational opportunities to significant members of students from low-income families. The previously well-established federal pattern of funding higher education through direct grants to institutions was replaced by a pattern of support channeled directly and indirectly through students.

Following the 1972 Amendments, funding patterns shifted from institutional grants to student grants for low-income students via Basic Educational Opportunity Grants (BEOG's). Previously, the National Defense Education Act of 1958 had authorized direct student loans and later the Higher Education Act of 1965, Title IV, had provided the first federal scholarships for undergraduates under the Economic Educational Opportunity Grants. The 1972 Educational Amendments authorized BEOG as the basic grant for students to be awarded solely on the basis of demonstrated need.

According to advocates of BEOG and many proponents of student aid in general this program could ideally be expected to have the following advantages:

> It would encourage free student choice of institution and field of study. Through its emphasis on aid to students rather than aid to institutions, it would encourage diversity and preserve institutional autonomy and integrity.
>
> It would assist both public and private institutions.
>
> And, as an integral part of its contribution to equality of opportunity, it would ensure a relatively large flow of student aid funds to states and areas with low per capita incomes, and to institutions that enrolled large proportions of low-income students (*The Federal Role in Postsecondary Education* 1975, pp. 22-23).

Under the current provisions of the BEOG program, the maximum grant for a student whose family cannot make any contribution for his educational expenses is $1,400 for an academic year. However,

the grant many not exceed 50 percent of the actual cost of attendance at the institution in which the student is enrolled. Critics of the program have attacked the restrictive eligibility requirements, the 50 percent limit on the cost of attendance, and the lack of adequate funding of the program. Still, BEOG continues to be heralded as the major federal vehicle of student aid; in 1975-1976, for example, funding had increased to $715 million.

The Education Amendments also modified several student aid programs and expanded the pool of eligible students. Student assistance was extended for the first time to individual proprietary institutions. By the end of 1975, federal student aid was being chiefly funded through the following four programs in addition to the Basic Educational Opportunity Grants: Supplemental Educational Opportunity Grants (SEOG's), College Work-Study Grants (CWS's), State Student Incentive Grants (SSIG's), and various loans including National Direct Student Loans (NDSL's) and Guaranteed Student Loans (GSL's). SEOG's, CWS's, and NDSL's are controlled by the particular postsecondary institution the student chooses to attend. Under the BEOG and GSL programs, federal assistance is in the form of direct aid to the student and therefore is tied to a specific institution only insofar as the cost of attending that institution is concerned.

Observers agree that federal funding for many of these student aid programs remains relatively low. Table 1 shows the funding pattern for grants and loans and the gradual increases in both current and constant dollars in federal support. Tables 1 and 2 show the variances in the specific total appropriations for the different authorities. It is important to note that funding for the BEOG program has risen substantially in its first four years of existence, from $122 million in 1973 to $715 million in 1976.

While the trend in federal support is clearly toward student aid, this interpretation must be tempered for two reasons. First, federal funding for all student aid programs has not yet approached the authorized funding levels. Second, appropriations for other student aid programs (such as social security payments) and interest and default costs of the guaranteed Student Loan Program continue to rise because they are open-ended and have continually required increased levels of federal support. Still, the current pattern and level of federal support suggests a major federal commitment to financing postsecondary education through students. The 1972 Education Amendments provided the major impetus for this trend.

The original Education Amendment bill of 1972 had provisions

*Table 1. Federal Appropriations for Selected Student Aid Programs, in Millions of Current Dollars and Constant (1967) Dollars, Fiscal Years 1965 to 1974*

| BENEFITS FOR VETERANS IN HIGHER EDUCATION | | | OTHER PROGRAMS | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Current dollars | Constant dollars | Basic Educational Opportunity Grants | Supplemental Opportunity Grants | College work-study | Interest on insured loans | Defaults on insured loans | Social Security benefits | Total Current dollars | Total Constant dollars |
| 1965 | 8.7 | 9.3 | | | 55.7 | | | | 55.7 | 59.4 |
| 1966 | | | | 58.0 | 99.1 | 9.5 | 0.6 | 207.0 | 374.2 | 390.4 |
| 1967 | 215.9 | 219.0 | | 112.0 | 134.1 | 43.0 | 3.2 | 256.0† | 548.3 | 556.1 |
| 1968 | 334.9 | 328.0 | | 140.6 | 139.9 | 40.0 | | 305.0 | 625.3 | 612.6 |
| 1969 | 431.7 | 403.5 | | 124.6 | 139.9 | 76.4 | | 366.0 | 706.9 | 660.7 |
| 1970 | 665.1 | 588.3 | | 164.6 | 152.5 | 63.9 | 10.8 | 401.0 | 792.8 | 701.3 |
| 1971 | 1,117.3 | 940.5 | | 167.7 | 158.4 | 145.4 | 18.0 | 455.0 | 944.5 | 795.0 |
| 1972 | 1,482.4 | 1,201.9 | | 220.3 | 426.6 | 200.0 | 12.8 | 521.0 | 1,380.7 | 1,119.8 |
| 1973 | 2,016.0 | 1,560.4 | 122.1 | 210.9 | 270.2 | 245.0 | 46.6 | 638.0 | 1, 532.8 | 1,186.4 |
| 1974 | 2,452.0 | 1,753.9 | 475.0 | 211.4 | 271.1 | 310.0 | 88.7 | 717.0 | 2,133.2‡ | 1,525.9‡ |
| 1975 | 2,637.0† | 1,701.0† | 660.0 | 240.3 | 300.2 | 315.0 | 115.0 | 856.0 | 2,506.5‡ | 1,617.1‡ |

Source: *The Federal Role in Postsecondary Education* 1975, p. 73.

† = Estimated

‡ = Total includes 19.0 million in 1974 and 20.0 million in 1975 for federal expenditures on the State Student Incentive Grant program, not shown separately.

*Table 2. Comparison of Selected Appropriations for Last Year and This Year*

| Office of Education | Fiscal 1975 | Fiscal 1976 |
|---|---|---|
| Student Assistance: | | |
| Interest on insured loans | $382,400,000 | $452,000,000 |
| Defaults on insured loans | 197,600,000 | 201,787,000 |
| Direct Loans | 321,000,000 | 321,000,000 |
| Basic opportunity grants | 660,000,000 | 715,000,000 |
| Supplemental opportunity grants | 240,300,000 | 240,093,000 |
| Work-study | 300,200,000 | 390,000,000 |
| Cooperative education | 10,750,000 | 10,750,000 |
| State student-incentive grants | 20,000,000 | 44,000,000 |
| Programs for the disadvantaged | 70,331,000 | 70,331,000 |
| Payments to colleges enrolling veterans | 23,750,000 | 23,750,000 |
| Developing institutions | 110,000,000 | 110,000,000 |
| Construction: | | |
| Loan subsidies | 0 | 0 |
| Grants | 0 | 0 |
| Language training and area studies | 14,000,000 | 16,000,000 |
| University community services | 14,250,000 | 12,125,000 |
| Land-grant colleges | 9,500,000 | 9,500,000 |
| Undergraduate instructional equipment | 7,500,000 | 7,500,000 |
| College personnel development: | | |
| College teacher fellowships | 4,000,000 | 1,000,000 |
| Public service training | 4,000,000 | 4,000,000 |
| Fellowships for the disadvantaged | 750,000 | 500,000 |
| Mining fellowships | 1,500,000 | 3,000,000 |
| Education professions development: | | |
| Career opportunities and urban/rural programs | 8,139,000 | 5,462,000 |
| Teacher Corps | 37,500,000 | 37,500,000 |
| Career education | 10,000,000 | 10,135,000 |
| Education for the handicapped: | | |
| R&D projects | 9,341,000 | 11,000,000 |
| Manpower development | 37,700,000 | 40,750,000 |
| College library resources | 9,975,000 | 9,975,000 |
| Educational broadcasting facilities | 12,000,000 | 12,500,000 |
| Environmental education | 1,900,000 | 3,000,000 |
| State postsecondary education commissions | 3,000,000 | 3,500,000 |
| Women's equity education | 0 | 6,270,000 |
| **Other H.E.W. Programs** | | |
| Fund for Improvement of Postsecondary Education | 11,500,000 | 13,500,000 |
| National Center for Education Statistics | 9,100,000 | 13,000,000 |
| National Institute of Education | 70,000,000 | 70,000,000 |

Source: Winkler, September 15, 1975, p. 3.

for direct institutional aid. Albert Quie (R-Minn.) urged that at least one-third of the new aid be based on a percentage of federal funds an institution already receives for needy students. Edith Green (D-Oregon) had developed a formula for direct capitation aid based on numbers of students and level of enrollment. Both formulas called for direct grants to institutions, although both include subtle underpinnings that the aid be ultimately directed to students.

The final form of the bill was very different. The 1972 Amendments authorized the distribution of aid to institutions solely on the basis of formulas relating to receipt of federal funds by and for students who were defined as eligible for such federal assistance. Such direct grants to institutions were to take the following form: 45 percent of such grants would be awarded on the basis of dollars received by the institution for Educational Opportunity Grants (EOG's), work-study grants, and National Defense Student Loans. Another 45 percent of the new aid would be based on formulas relating to numbers of students receiving newly authorized federal Basic Opportunity Grants. The remaining 10 percent would be based on numbers of graduate students. It should be noted that fully 90 percent of the allocation would be tied to student aid, whether in the form of grants or loans. More importantly, this provision can come into effect only when Congress appropriates sufficient funds to cover at least 50 percent of the basic grant to which each student is entitled. As of FY 1976, this condition has been met but the institutional cost-of-instruction grants remain unfunded.

Institutional aid continues to be appropriated to colleges and universities for specific purposes, such as research, construction and training. But many of these programs have been left unfunded or underfunded in terms of authorized levels of funding. Table 2, for example, shows that the Aid for Developing Institutions programs remains at 1975 levels for the next fiscal year while grants and loans for construction continue to be unfunded.

To be sure, federal policy toward higher education is not conceived in a vacuum. There are a substantial number of interest groups continually trying to effect policy in terms of competing visions of what role the Federal Government should play in postsecondary education. Heated discussions concerning equality of opportunity, government aid to religiously-affiliated institutions, and the tuition gap between the public and private sector, among other issues, may lead to a new course of federal involvement.

But since the passage of the 1972 Education Amendments, there

has been a new and definitive pattern of federal funding for postsecondary education that is firmly established, at least for the immediate future. Existing student aid programs have been modified to promote the often stated goal of equality of opportunity. Moreover, landmark legislation in the 1972 Amendments provided the BEOG program with direct grants for low-income students. The pattern of federal assistance for postsecondary education has shifted dramatically from institutional aid, chiefly in the form of categorical grants for special purposes, to student aid as the major mechanism of financial support.

## Federal Policy and the Issues of Equality and Diversity

At least four major difficulties are confronted in addressing the implications of current trends in federal education policy. First, to what extent are there identifiable major trends? Second, what is the likelihood that any trends will be altered by interest group forces which, in large measure, shape federal policy. Third, what national goals should serve as the standard against which federal policy can be discussed and evaluated? Finally, only three years after the passage of the 1972 Education Amendments, which created a major shift in federal policy, how can one assess the implications of a policy that has been in existence for such a short period? Might not certain implications be a function of federal policy before 1972, not to mention a series of other rival factors, such as the growing state involvement in the financing of postsecondary education?

The first chapter dealt with trends in federal policy toward higher education. Public law 92-318, the Education Amendments of 1972, has provided the basis for current federal legislation. Although funding thresholds have fluctuated considerably in the past three years, federal funding of higher education has increasingly shifted from funding other than through student aid to a variety of student aid programs. The only direct institutional support not tied to student grants was $200 for each FTE (full-time equivalent) post-baccalaureate student (Leslie 1973, p. 3), construction grants, special purpose grants (such as aid for developing institutions) and several minor categorical aids to institutions as noted in Table 2. The dominant trend in federal higher education policy is therefore toward student aid and away from the various forms of institutional grants that formed the general pattern of federal support prior to 1972.

The problem of interest group pressures for changes in the federal role is more difficult to assess. At the present time, it appears that groups opposed to current federal policy have not yet marshalled sufficient political support to seriously threaten the status quo. For purposes of analysis, it is necessary to assume that federal policy is likely to follow indefinitely the general pattern of support established in 1972.

While assuming a relatively consistent pattern of federal involve-

ment, it is necessary to establish criteria against which to consider the implications of federal policy. The first chapter suggested two national goals that might serve as the benchmark for the evaluation of federal policy. Federal involvement has been premised on a variety of individual and group goals. However, the two goals of equality of opportunity and institutional health and diversity have served most frequently as standards for the evaluation of the federal role, especially with reference to undergraduate education. The Carnegie Commission on Higher Education and the National Commission on the Financing of Postsecondary Education, for example, have both identified these two areas as goals underlying recent federal involvement in and support of postsecondary education.

The fourth problem area, discussing the implications of recent federal policy without controlling for alternative factors, poses a more difficult question. Insofar as it is possible, an attempt will be made to associate implications with federal policy since 1972. Admittedly, deficiencies in available data, coupled with the absence of controlled studies of federal policy, make this particularly difficult. This lacuna must be tolerated, however, and readers are encouraged to draw their own implications about the federal role.

In light of these considerations, the central question will not be one of broadly assessing the implications of federal higher education policy. Rather, a more narrow question will be considered: If the Federal Government pursues its present course, what are the implications for the achievement of the two national goals of equality of opportunity and institutional health and diversity, which currently underpin federal involvement in postsecondary education, particularly undergraduate education?

Each of these goals will be discussed separately. Following a brief history of the federal role in terms of these goals, coupled with a rationale for their serving as important criteria, current progress toward their achievement will be assessed. Subsequently, the immediate and long-term implications for the achievement of these goals will be discussed in the context of federal higher education policy.

*Equality of Opportunity*

The umbrella concept of equality of opportunity, as a public policy, has its roots in the meritocratic and mass movements of the past two decades. Through the 1944 G.I. Bill and the National Defense Education Act of 1958, higher educational opportunity was widened to accommodate a meritocratic mass society. Particularly in

response to the Cold War of the 1950's, federal legislation and policy greatly stimulated the attendance of students on the basis of ability. NDEA measures especially encouraged the enrollment of needy students in higher education who otherwise might not have attended.

In the mid 1960's, however, meritocratic mass education gave way to "universal access" which, for many participants in and observers of higher education, was synonymous with equality of opportunity. As initially presented, the concept implied more than the attendance of low-income students; it implied a pluralistic opportunity to enroll in post-secondary education, regardless of race, sex, age, religion, ability, or income.

This federal priority of universal access clearly emerged from the Great Society programs of the last decade. President Johnson's Higher Education Act of 1965 provided the first legislation for student assistance for the "disadvantaged" by establishing the Supplemental Opportunity Grant Program (SEOG), the College Work Study Program (CWS), and the Guaranteed Student Loan Program (GSL). Although these limited student aid programs were amply funded, student aid programs still comprised only a token share of the federal budget for education (with the notable exception of veteran's benefits) as compared with the various other federal forms of aid to colleges and universities.

The 1972 Education Amendments marked a major shift in federal funding by providing legislative authorization for greatly expanded grants for low-income students. Federal policy thus has shifted aid from institutional grants to student grants for low-income students, especially through the Basic Educational Opportunity Grant (BEOG) program. The notion of "universal access," through both legislative mandate and funding, was officially accepted as a major national goal.

While the concept of universal access was popularized as a catchword, access was frequently associated with the broader notion of equality of opportunity. That is, underlying access was the assumption that entry to higher education would inevitably lead to upward social mobility and, implicitly, to greater social equality. Financially and socially disadvantaged persons, through access to higher education, would ascend the proverbial socioeconomic ladder. This line of reasoning was captured in an early report of the Carnegie Commission on Higher Education:

> Increasingly it is through equal access to education that equality of opportunity in American life becomes possible, but financial barriers

> and deprivation by location, by ethnic group, by age, and by inadequacy of precollege education still prevent many American citizens from developing their full potential (*Quality and Equality, Revised Recommendations: New Levels of Federal Responsibility for Higher Education* 1970, pp. 6-7).

The Carnegie Commission admitted that there remained barriers to access; but like most observers of the federal role it tacitly assumed the removal of these barriers would ensure equality of opportunity for all students once they departed academe and entered the world of work.

James O'Toole places the relationship between access and greater social equality in an international context:

> In the last few years . . . almost all of the developed nations have sought to turn schools away from being the instruments of stratification and toward being the prime tool for greater social equality. Remarkably, governments with ideologies as diverse as those in Yugoslavia, Spain, and the United States are attempting to provide greater equality of occupational opportunity through increasing access to education (1975, p. 26).

For purposes of amplification, it is appropriate here to discuss a possible explanation for the widespread belief that access leads inextricably to equality of opportunity.

In the early 1970's, the weight of quantifiable evidence clearly documented a high rate of return to individuals who invested in higher education. Building on Theodore Schultz's (1960, pp. 571-583) conception of the rate-of-return analysis of human capital formation, Gary Becker used census data to calculate average incomes of adults by educational attainment. Individual rates of return were then calculated by establishing the costs borne by students and their families, including foregone income. Gary Becker (1964, pp. 77-78) estimated that investment in a college education yielded an average annual rate of 13 percent, a rate of return slightly higher than the 10 percent rate of return usually anticipated by private investors.

Drawing heavily on the framework employed by Becker, W. Lee Hanson and David Witmer calculated individual rates of return for undergraduate education for the period 1939 to 1968 (1971, p. 27). They determined that by 1968 the individual rate of return was approximately 11 percent for holders of the bachelor degree, down from 15 percent in 1939, but similar to the rate of a decade earlier.

On the basis of studies such as these, it was a small step to conclude that the broad goal of equality of opportunity would be fostered through a public policy that provided direct aid to needy

students who, in turn, would enroll in higher education and thereby progress up the socioeconomic ladder. Edward Denison (1970, p. 1201), for example, argued that public subsidy of low-income students be granted to eligible college matriculants regardless of ability because to do otherwise would only reinforce a perpetuation of inequality in society.

While substantial rates of return to education suggested public subsidies to promote the goal of equality of opportunity, a dominant question was whether the state or Federal Government should assume responsibility for funding lower-income students. State-level studies by Hanson and Weisbrod (1969, pp. 176-191) in California and Windham (1970) in Florida reached the same conclusion: the existing state system of support for public higher education was a failure as a force for social and economic equality in those states. Although it is impossible to generalize across the fifty states on the basis of this limited research, one implication of these findings was that only by greatly increased federal participation could a solution be found to this problem.

By 1972, it was widely accepted in Congress, although in varying degrees, that higher education should be a major force for encouraging greater opportunity among financially and socially disadvantaged groups. The Education Amendments marked a major shift in public policy by providing legislative authorization for liberalized grants for low-income students and a new program of institutional aid related to those grants. Needy students would be funded on the dual assumptions that (1) the states could not solve the problem and (2) that the substantial individual rate of return to such students would together lead to an increased equality of opportunity in American society.[1]

There are those who argue that the goal of access can and should be separated from the notion of equality of opportunity. Accordingly, federal policy should only be evaluated in terms of the former. We emphatically disagree on the grounds that the government policy implicitly suggests not simply equality of educational opportunity, but equality of social opportunity or greater social equality in the

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1 Establishing the intent of legislative actions is particularly difficult in those instances where a direct federal policy is not articulated, as in the case of the student aid legislation in the 1972 Education Amendments. For example, there are those who view the 1972 legislation as a means of promoting efficiency in American postsecondary education. Our operating assumption, which is shared by many interpreters of the legislation, is that its intent was primarily to encourage equality of opportunity.

larger society. Simply put, it is appropriate to expose the hidden agenda surrounding this issue and evaluate both the narrow goal of access and the broader goal of equality of opportunity. As the remainder of this chapter will demonstrate, we can no longer assume that access leads automatically to greater social equality.

On the basis of this discussion, it follows that the implications of federal policy vis-à-vis this goal cannot be evaluated only in terms of access, but must also be evaluated in terms of greater social equality. Toward that end, this chapter will focus on the progress toward the realization of these dual components of equality of opportunity as well as on the relationship of federal policy to the achievement of these goals.

*Progress Toward the Achievement of Universal Access*

Federal legislation and funding seldom specify in operational terms the goals that are implicit in legislative action. For our purposes, universal access implies that all persons should have the opportunity to enroll in postsecondary education. While multiple criteria might be used to assess the achievement of this goal, the following criteria (subject to limitations in the data) will be utilized: To what extent is the *student* population and the *adult* population similar with respect to income level, racial composition, ethnic background, age, sex, and religion?

In 1973, the National Commission on the Financing of Postsecondary Education assessed the achievement of the objective of student access. The Commission concluded that:

> 1. The postsecondary education objective of student access, when measured in terms of income, race, ethnic group, sex, and geographic location, is not yet accomplished.
>
> a. The participation in postsecondary education of individuals 18-24 years of age from families earning less than $10,000 per year is 17.3 percent while the corresponding participation rate of families earning more than $10,000 per year is 38 percent.
>
> b. The rates of participation in postsecondary education for individuals from certain racial and ethnic minorities are far below the participation rates of other Americans.
>
> c. Women are also underrepresented in postsecondary institutions, constituting 51 percent of the 18-24 year old age group but only 44 percent of undergraduate enrollment and 39 percent of graduate enrollment.
>
> d. The location of collegiate institutions best serves those individuals who live in small metropolitan areas. Those who live in large metropolitan areas are only somewhat better served than those who live in rural areas (1973, p. 178-179).

A recent study by the U.S. Bureau of Census addresses the issue of income level and attendance in postsecondary education. Defining

middle-income as between $10,000 and $15,000 per year, the study revealed that as of 1975 "the slowdown in college enrollment is sharpest among youths from middle-class families" (*Chronicle of Higher Education* May 19, 1975, p. 6).

The Census Bureau Study showed that for middle-income families:

> . . . the ratio in which 18-to-24-year-old children were actually enrolled in college dropped from 43 percent in 1970 to 36 percent in 1973 . . . Among families with incomes under $5,000—where the rates were low to begin with—that drop-off rate was smallest of all . . . from 19 percent in 1970 to 18 percent in 1973 (*Chronicle of Higher Education*, May 19, 1975, p. 6).

The study further noted that students from families with incomes above $15,000 dropped least of all, from 56 percent in 1970 to 54 percent in 1973.

While universal access does not imply universal attendance, it is clear from these data that the goal of more equitable proportions of groups of differing income levels actually attending colleges is far from being achieved. Persons from relatively well-to-do backgrounds continue to attend college at rates far greater than those of students from more modest or low income backgrounds. Although students from middle levels continue to attend college at substantially higher rates than individuals from incomes under $5,000, it should be noted that both groups—not simply low-income groups—have failed to achieve increased access relative to the more prosperous segment of the population. To the extent that reducing disparities between income level and college attendance is a major vehicle for achieving universal access, it is apparent that progress has come slowly and may now be regressing.

A recent study by the Carnegie Council on Policy Studies, based on their staff estimates of 1974 family income distribution and on freshmen family income data, supports this interpretation. The Carnegie data show that the percentage of entering freshmen from the lowest family income quartile actually decreased (16.7 percent to 15.3 percent) from 1972 to 1974 while the percentage from the second quartile only slightly increased (23.5 percent to 26.7 percent) in the corresponding period. The percentage of freshmen from the third and highest (fourth) quartiles decreased only slightly from 1972 to 1974 (*The Federal Role in Postsecondary Education* 1975, p. 15).

There is considerable disagreement regarding gains in the proportion of minorities now attending higher education institutions on a full-time basis. According to U.S. Census Bureau data, the enroll-

ment growth of black men increased steadily from 1967 to 1972; in 1974, it was only 0.5 percent higher than the 1972 level for all college black men 14 to 34 years of age. The percentage of black women between 14 to 34 years of age has followed a similar pattern, growing just 0.5 of one percent from 1972 to 1974 (*The Federal Role in Postsecondary Education* 1975, p. 74). Although there was a slowing of enrollment increases between 1972 and 1974, recent Census Bureau data illustrate a marked narrowing of the black/white gap in enrollments. In 1969, 236,000 black men attended college; in 1975, 422,000 attended, bringing the black share of male students from 5 to 9 percent (Freeman and Hollomon 1975, p. 26).

Howard University's Institute for the Study of Educational Policy has recently charged that government reports of sharp enrollment increases of black students have been far too optimistic and overly reliant on faulty, inflated data. Their report, *Equal Opportunity for Blacks in U.S. Higher Education: An Assessment* (1975), charges that Census Bureau data are inflated partly because their surveys are likely to inflate black enrollment through the tendency of low-income students to exaggerate their educational attainment in order to favorably impress interviewers. According to Kenneth S. Tollet, chairman of the institute's national advisory board: "I'm sure the number of blacks enrolled has gone up some in the last two years, but it certainly has not been as much as the U.S. Census Bureau has reported" (Winkler, October 6, 1975, p. 1). The problem of obtaining accurate data on black enrollment notwithstanding, it seems fair to conclude that the proportion of blacks enrolled in American postsecondary education has increased substantially in this past decade.

That some progress is also being made toward increased minority group enrollment is revealed in statistics compiled by the Department of Health, Education, and Welfare. Data from 1972 indicate the highest enrollments of ethnic minorities to date: in 29 states, the proportion of undergraduates from minority groups approached or exceeded the proportion of those minorities in the state's resident population (Winkler, November 11, 1974, p. 1).

In spite of the publicity given open admissions and equality of opportunity, there have been only slight gains in the number of women attending higher education on a full-time basis (*The Federal Role in Postsecondary Education* 1975, p. 74). However, older men and women, who have traditionally attended college in relatively small numbers, are returning to college in far greater proportions than ever before. In 1969, 536,000 people aged 30 to 34 enrolled in college; in 1974, 720,000. For persons 35 and over, enrollments in-

creased by 30 percent to approximately one million between 1972 and 1974 (Freeman and Hollomon 1975, p. 24).

Utilizing these multiple criteria, it is clear that progess toward the achievement of universal access has been gradual and uneven. Most important, the wide disparities between income level and college attendance have been altered very little. Persons from higher socioeconomic positions, as measured by income level, continue to comprise a disproportionate segment of higher education's clientele, while both lower- and middle-income students make up a consistently smaller proportion of the 18- to 24-year-old age cohort attending higher education institutions. As reported earlier, lower-income students account for only 18 percent of college and university attenders, compared to 54 percent for students from upper-income families. The pattern for women has shown only a gradual upswing in college attendance relative to their male counterparts. The most substantial gains in access have been for blacks and other minority students as well as older students, although these groups are still disproportionately represented relative to nonminority students and the traditional 18- to 24-year-old college age cohort.

The idea of student choice is closely related to universal access. Student choice implies that students should have a reasonable choice among different types of postsecondary institutions. A single criterion will be employed in evaluating the achievement of this goal: To what extent is the student population—in terms of minority background, sex, and income level—evenly dispersed among postsecondary institutional types?

At the beginning of the 1975-1976 academic year, students of minority background, sex, and income level were not evenly dispersed among different types of postsecondary institutions. Although blacks, for example, have gained substantially more access to higher education in the last several years, they are underrepresented at large public universities, where they comprise only 6 percent of the total enrollment, and at four-year private colleges, where they account for 4.2 percent of the student body. These findings on black students, drawn from *Equal Opportunity for Blacks in U.S. Higher Education: An Assessment* (1975), further show that blacks are most likely to be enrolled in public two-year colleges or in the predominantly black four-year institutions.

Women and low-income students are heavily represented in community colleges. Private institutions still enroll a large proportion of students from affluent homes, while "invisible colleges" primarily enroll students from middle-income or persons from more modest back-

grounds, as do public four-year colleges. Public multiuniversities generally attract students of middle-income or wealthier means, but not as large a proportion of upper-income students as are attracted by the prestigious private universities (National Commission on the Financing of Postsecondary Education 1973, p. 401).

In the absence of more recent data, it is difficult to make a firm judgment concerning the degree of student choice. On the basis of our single criteria, however, it is safe to assume that student choice is as far from being realized as is the primary goal of universal access.

*Universal Access: Present Policy*

As the preceding section documents, there has been uneven and gradual progress toward the achievement of universal access. This may be due in part to individual states that have made substantial investments in higher education. California and New York, for example, enjoy a post-high school attendance rate of close to 70 percent (*More Than Survival* 1975, p. 25). But these two states have been the exception, and it is the Federal Government that has most strongly supported the goal of universal access. This raises the question, What are the implications of current federal policy for the achievement of universal access?

The federal student aid programs administered by the U.S. Office of Education have been effective in improving the educational opportunity for blacks and other minority students. Persons in these groups, which have long been denied access to college, are now attending postsecondary institutions in greater proportions than ever before. The BEOG program, in particular, has permitted many of these students to attend college. Although few of the college-based student aid programs, such as SEOG, SSIG, and CWS, have been funded at authorized levels, current levels of funding have contributed toward a steady increase in the number of blacks and other minorities attending college.

Although federal student aid monies have increased for undergraduate students, the level of funding has not been adequate to meet the educational expenses of the growing pool of eligible student aid recipients. Sidney Marland, President of the College Entrance Examination Board, estimates a $500 million gap between student assistance programs and demonstrated need of eligible students for the 1974-1975 academic year; he projected a gap of $2 billion between appropriations and needs for the 1975-1976 year, given inflation and the increased eligibility of students precipitated by a new, more generous

need-analysis formula developed by the College Scholarship Service (*The Higher Education Daily*, October 30, 1974).

The level of federal funding has contributed to the slow progress toward universal access among groups long denied access to post-secondary education. Low-income students, who are generally eligible for federal support, continue to be denied access because of insufficient funds to cover other educational and family expenses. Also, students from middle-income families earning $11,000 a year may be unable to attend even with BEOG grants and student loans, because of high costs.

Unequal funding has further exacerbated the problem of a declining proportion of middle-income students gaining access to college. These students, who are disproportionately represented in higher education compared to upper-income students, are often ineligible for student aid in the form of grants. For example, most students from a family of four whose parents earn roughly $11,000 a year do not qualify for a BEOG grant. Originally, guaranteed loans were the government's contribution to Middle America; students whose parents had an adjusted income of $15,000 automatically qualified. Until recently, they had to pass a rigid financial means test. Thus, even if middle-income students were able to secure a GSL, for example, these loans still remain insufficient to cover the total costs of college. It is not surprising, therefore, that the proportion of middle-income students attending college has declined in the last several years. While, the relative proportion of middle-income youth attending college is still substantially higher than for persons from lower-income backgrounds, both groups continue to be denied access relative to students from upper-income families.

Since enrollment in higher education is tied to a variety of factors other than finances—such as educational level of parents, intelligence, and self-image—universal attendance in higher education is very unlikely (Harris 1973, p. 357). But in spite of these obstacles, to what extent has recent federal policy, especially student assistance programs, fostered progress toward universal access? On the one hand, student aid programs have increased the access of minority and black students. Thus, there is evidence that adequate and equitable funding of the current student aid programs can lead to greater access for groups now disproportionately represented in higher education. On the other hand, student aid programs generally are inadequately funded if lower-income students, the major target group of federal policy, are to be encouraged to attend college in greater numbers. In addition, many middle-income students are being denied access be-

cause of the unavailability of either grants or loans to assist them in covering their college expenses. The implications of current federal policy are quite clear: federal student aid programs have contributed to gradually improved access for certain groups while access for other groups remains unchanged or limited.

*Universal Access: Future Policy*

Social scientists and educators have been relatively unsuccessful in predicting future developments in American higher education. Shifting enrollment patterns, rising educational costs, and changing public attitudes toward higher education are only a few of the factors that must be considered in forecasting future trends. Still, any assessment of the implications of federal higher education policy should include a brief treatment of the possible future implications of that policy. For purposes of discussion the question might be raised: What are the implications of the current federal role for the achievement of universal access to postsecondary education in the future?

If the Federal Government continues to utilize student aid as a vehicle for achieving universal access, it is likely that for some groups, universal access will come somewhat closer to being a reality. It is likely that through the fully funded BEOG program low-income groups will attend college at increasing rates, comparable to and possibly exceeding the attendance rates of the traditional college clientele. This will be especially so if total enrollments continue to level off and possibly decline. Thus, students from the lowest income background, because they are realizing a relatively high rate of return on their college education, may make substantial gains toward achieving universal access.

On the other hand, there is little evidence to suggest that the present federal student aid policy will make significant progress toward universal access as long as the programs are consistently underfunded. Similarly, unless major changes are made in easing financial eligibility for student aid programs, students from middle-income families will continue to have a disproportionate rate of college attendance relative to students from upper-income families.

There are, of course, a number of factors that may influence the uneven trend toward universal access, including a rapidly changing job market and the unlikely, though possible, development of steadily increasing state student aid assistance for lower-income students. But based on present trends, a more likely possibility is that minority group students will gradually realize greater access while overall low-

income to middle-income students will be left with only the promise of greater educational opportunity.

*Progress Toward Social Equality*

If universal access suggests that all citizens should have the opportunity to enroll in postsecondary institutions, greater social equality implies not only that persons of different backgrounds will have access, but also will substantially improve their socioeconomic position because of their participation in postsecondary education. For reasons cited earlier, especially the assumption of upward mobility, which forms the basis of the federal commitment to universal access, the federal role should also be evaluated in terms of actual progress toward the realization of this goal. The following criterion will be employed: To what extent have students, especially from groups previously denied access to higher education, improved their relative socioeconomic position in terms of economic position and occupational status through participation in higher education?

Using a variety of measures, the economic status of college graduates has, in general, been declining in the past several years. From 1969 to 1975, the starting salaries of male graduates in industry dropped markedly both in real terms and relative to the earnings of other workers. According to College Placement Council data, there has been a decrease of 23 percent in the real starting pay for men with social science or humanities degrees, a decline of 21 percent in the real pay for beginning B.S. mathematics majors, and of 17 percent for beginning electrical engineers with doctorates. The ratio of college graduate to high school graduate incomes has also fallen sharply in the 1970's. In 1969, for example, full-time 25- to 35-year-old workers with four or more years of college earned 39 percent more than workers with four years of high school; in 1973, these same workers earned only 23 percent more (Freeman and Hollomon 1975, p. 25).

While there are several exceptions to this pattern, notably in business administration, the overall decline in "real" starting salaries and relative incomes, together with rising educational costs, has led to a falling rate of return on the college investment. As noted earlier, the return had generally held between 11 to 15 percent for the three decades prior to 1970; according to several recent estimates, the rate of return had dropped to 7 to 8 percent by 1974 (Freeman and Hollomon 1975, p. 25).

For black college graduates, starting salaries have risen to parity with those of whites in the early 1970's, after decades of being sub-

stantially lower. Incomes of blacks have risen sharply in the past several years; during the 1969 to 1973 period, incomes of black graduates rose by 32 percent, as compared to 20 percent for white graduates. While there are few estimates on the rate of return for black college graduates, Richard Freeman and J. Herbert Hollomon submit that "even pessimistic calculations suggest higher rates for blacks than for whites in the 1970's; a return in 1974, for example, on the order of 11-12 percent compared with 8.5 percent estimated for college graduates as a whole" (1975, p. 27).

Unfortunately, there is a paucity of recent data concerning the relative economic position of other groups now being encouraged to attend higher education in greater numbers, especially for low-income students and other minority group students. To the extent that these groups have suffered the economic fate of the traditional clientele of higher education, it is quite likely that they have not markedly improved their economic position. On the other hand, they might possibly be realizing an economic rate of return similar to black students. An indirect measure of their progress can be made through an analysis of the relative occupational status of these groups.

Turning to occupational status as a second measure of greater social equality, it is readily apparent that for many college graduates the college job market has gone from a boom to a bust in the brief span of roughly five years. A stream of studies has carefully documented that sizable percentages of college workers have had increasing difficulty obtaining employment upon graduation.

More important for our purposes, other studies have shown that recent college graduates are increasingly faced with the problem of underemployment. In 1971, for example, 36 percent of male college graduates were unable to find professional or managerial jobs upon graduation (O'Toole 1975, p. 33). Between 1969 and 1974, approximately one-third of the male and two-thirds of the female graduates had to accept positions unrelated to their college majors, compared with 10 percent of men and 13 percent of women in the early 1960's (Freeman and Hollomon 1975, p. 25).

Largely because the job market functions to the advantage of those who have the characteristics that are currently seen as attractive to employers, black college graduates have recently experienced upward job mobility. Data employed by Freeman and Hollomon show that:

> The share of black graduates obtaining managerial jobs—from which blacks had historically been excluded—jumped from 5 percent in 1964 to 11 percent in 1969 and then to 19 percent in 1973, while white representation in management was relatively unchanged (1975, p. 26).

College educated women, as a separate group, have fared less well than blacks in utilizing schooling to secure occupational advancement. While women have nearly the same educational qualifications as men, they are overrepresented in some of the most routine jobs in the economy; for example, over 90 percent of all receptionists, secretaries, telephone operators, seamstresses, and stitchers are women (O'Toole 1975, p. 33).

There is little available data on the current occupational trends among lower-income students who are graduating from college in slightly greater proportions than in previous years. In the absence of comparable data, it seems reasonable to assume that these persons are suffering from the same unemployment and underemployment problems affecting the traditional clientele of higher education. There are no visible pressures for employers to hire lower-income graduates.

To briefly summarize, access to higher education has led to greater social equality for a few groups of students. Black college graduates, and probably other minority students, have improved their occupational status which, in turn, has been accompanied by a rate of return on schooling that exceeds the average rate for traditional college graduates. However, the market has apparently failed to meet the needs of other groups, especially low-income college graduates. In turn, the relative economic position of these groups has not substantially improved as a result of their participation in higher education.

On balance, it is not too difficult to evaluate the current achievement of greater social equality through universal access. For some groups, notably blacks, there is the prospect that universal access may indeed lead to greater social equality. This interpretation, however, must be qualified for several reasons. First, while black students are attending college in greater numbers than ever before, they are still disproportionately underrepresented compared to white students. Thus, without universal access and increased retention, greater social equality will continue to be realized by a relatively small percentage of blacks. That is, substantial progress toward the achievement of greater social equality is contingent upon universal access, which is still far from being realized, even for blacks. Second, a rapidly improving overall socioeconomic position for any group cannot be fairly evaluated within a span of only five years. At least a decade is required before the progress of blacks can accurately be assessed.

But what of the other groups previously denied access to higher education? Except for women, where federal pressures may lead to in-

creased mobility, there is no evidence that increased access leads to appreciably greater social equality for low-income, middle-income, and other students. Indeed, it appears that these groups are suffering from the same low rate of return and occupational problems of unemployment and underemployment that characterize the traditional clientele of postsecondary education. For many students who have been discriminated against, the goal of greater social equality is no closer to being realized than the goal of universal access.

*Achieving Social Equality: Present Policy*

Although federal policy toward higher education has not explicitly designated universal access as the vehicle for greater social equality, it has tacitly assumed that increased access will lead to greater social equality. What are the implications of current federal policy for the achievement of greater social equality for those groups that are relative newcomers to postsecondary education? Federal policy since 1972 has shifted from institutional to student aid on the assumption that improved access will lead to greater social equality. Because federal policy is only indirectly (though access) oriented toward the achievement of this goal, the implications can only be discussed in the broadest of terms.

To the extent that federal student aid programs have resulted in greater access, it appears that certain groups, especially blacks and other minorities, have substantially improved their socioeconomic position through participation in higher education. Recent black college graduates, for example, are enjoying both a relatively high rate of return on their college investment and occupational status relative to a comparable cohort group, namely, white students from all income levels.

However, there is no evidence that federal support for lower- or middle-income students, women, and older students has resulted in appreciably greater social equality for these groups. Confronted with the dual problems of unemployment and underemployment that are confronting college graduates when they enter the marketplace, these groups are not substantially improving their occupational status; in turn, their rate of return has not contributed to an improving socioeconomic position.

This lack of progress toward greater social equality cannot be directly related to the multiple programs of student aid. However, a government policy of promoting universal access through student assistance programs on the premise that it will lead to greater social

equality is called into question. Mobility in the marketplace is increasingly tied to a variety of factors, particularly the relative health of the economy. Because higher education no longer guarantees upward mobility, the implicit federal commitment to greater social equality must be made explicit for public discussion.

*Achieving Social Equality: Future Policy*

Of all the factors most likely to affect the relationship between education and mobility, none is more crucial than trends in the marketplace. Several researchers have turned their attention to this issue and their projections imply that the federal role in postsecondary education ought to be evaluated in light of these trends. Because federal policy continues to assume that education is a major vehicle of upward socioeconomic mobility, any discussion of the possible future implications of that policy must take these trends into account. For purposes of discussion: What are the implications of the current federal role for the achievement of greater social equality in light of projected trends on the relationship between education and mobility? First examine some projections concerning education and socioeconomic mobility.

A number of economists have examined the relationship between education and the job market, attempting to ascertain if the collapse of the job market in the 1970's is only a temporary phenomena. Among others, Richard Freeman and J. Herbert Hollomon, Stephen Dresch, and James O'Toole have concluded that there is likely to be a long-term change in the supply-demand balance in the American marketplace.

On the demand side, Freeman and Hollomon have concluded that the "long-term growth of demand for college workers decelerated substantially in the seventies" and is likely to continue (1975, p. 27). Coincident with the leveling off of demand has been a rapid increase in the supply of college graduates. Stephen Dresch (1975, p. 253) predicts that the college-educated proportion of the adult population (age 25 and over), after rising from 7.7 percent in 1960 to 11 percent in 1970, can be expected to reach 15 or 16 percent by 1980—or a 4 to 5 point percentage gain over 1970. According to a number of projections (Freeman and Hollomon 1975; Dresch 1975), this combination of decelerated growth in demand and increase in supply, and not simply the overall recession or other relatively short-term developments, suggests that the current unfavorable situation for college graduates is likely to extend into at least the 1980's. Even the Department of Labor's Bureau of Labor Statistics (*Occupational Manpower*

*and Training Needs*, Revised 1974) estimated that the number of college graduates will exceed the number of jobs requiring their skills by about 800,000 between now and 1985. Based on these predictions, college graduates in the foreseeable future are unlikely to enjoy occupational mobility to the extent that once characterized participation in higher education.

As the college-educated labor market deteriorates over the next decade, the relative earnings gain from a college education can be expected to decline (Dresch 1975, p. 253; Freeman and Hollomon 1975, p. 28). An optimistic forecast would be if the rate of return remains at the current level of 7 to 8 percent; a more likely scenario would be a drop to 6 percent.

Based on the preceding predictions concerning job market patterns and rates of return, it is highly probable that a high percentage of college graduates are unlikely to realize greater social equality in terms of substantially improved occupational and economic status. The question remains, To what extent are minority, women, and low income students likely to experience the same job market situation? As noted earlier, prospects for black college graduates have not been as adversely affected by market trends as those of whites. According to one prediction, this pattern is likely to be maintained in the future, especially given affirmative action pressures (Freeman and Hollomon 1975, p. 30). But the American marketplace has always valued "whiteness" as well as schooling, and in the absence of sustained federal pressures for hiring blacks and other minorities, the achievement of greater social equality for these groups could be impaired.

Unfortunately, there are few projections of the prospects for mobility among other groups previously denied access. It seems likely, however, that in the absence of strong federal measures, these groups too will at best achieve a rate of return similar to the traditional clientele of postsecondary education. Women may prove to be an exception because of federal intervention. But what of low-income students who are now entering academe with the expectation of improving their socioeconomic status? Because of the unavailability of good data, it may be hypothesized that lower-income students will continue to realize relatively low rates of return on their educational investment.

The explanation for this prediction is simply that low-income students do not and will not have those characteristics or family environments that are attractive to employers. Consequently there is no reason to predict that the market, any more in the future than at the

present time, is likely to meet the unemployment and underemployment problems of the low-income students.

Federal funding has promoted universal access through a variety of student grants and loans on the premise that participation in postsecondary education will lead to greater social equality. But with the exception of blacks and other minority students, current and projected trends on the relationship between education and work imply that the majority of disadvantaged students are unlikely to realize greater socioeconomic mobility. Has the Federal Government, through a variety of student programs designed chiefly to promote the attendance of these groups, failed to acknowledge the reality of the American marketplace? Our own conclusion is that current student aid assistance, no matter how generously funded, simply cannot assure that groups of students traditionally denied access will, with increased educational opportunity, realize greater social equality in American society.

*Conclusion: Equality of Opportunity*

There is some evidence that certain groups, such as blacks, have achieved greater access through recent federal policy. If the federal government continues to espouse equality of opportunity by supporting students through the medium of student assistance, what is the likelihood that the nation will move toward the achievement of this goal? The evidence suggests that progress will at best be slow and at worst counterproductive.

Current student aid programs are slowly and unevenly affecting the college plans of students previously denied access. While blacks are continuing to enjoy greater access, other low-income and even middle-income students are enjoying little if any increased access. Given the unequal and low levels of funding that characterize current student aid programs, there is insufficient reason to predict that access to and retention in higher education will substantially increase for persons in these groups.

In viewing equality of opportunity in the broad sense, however, the issue is not simply one of improved access, but whether the Federal Government can realistically view access to postsecondary education as a vehicle of social mobility. To the extent the Government is providing freer access to education, it may be paradoxically creating a situation that can only lead to frustration. For the majority of disadvantaged students, the promise of socioeconomic mobility through education is and shall continue to be tempered by the realities of the job market. Current and projected trends in the job market for

college graduates strongly suggest that education is not likely to continue to be a major vehicle of upward mobility.

Thus, it is not simply that the tool of student aid has failed to markedly improve access; it is also that the Government's implicit goal of greater social equality through education has become increasingly suspect. To the extent that the goal of achievement of access is being unrealized, the mechanism and the level of student aid assistance can be questioned. But if greater social equality is also a goal, then the issue of the very legitimacy of that goal arises. Put simply, can the Federal Government through any program, no matter how generously funded, continue in good faith to encourage universal access as a vehicle for upward mobility?

*Institutional Health and Diversity*

The first chapter of this essay discussed how the Federal Government, beginning in the late 1950's, increasingly viewed a financially stable system of higher education as in the national interest. Unprecedented amounts of institutional aid to both public and private institutions, from direct categorical aid to grants for capital construction, suggested that the Federal Government was assuming a partial responsibility for the health and diversity of the nation's colleges and universities.

The Federal Government has not explicitly committed itself to the provision of the financial integrity of postsecondary education as it has to universal access; yet it can be interpreted to be a major federal priority. The following section will discuss briefly the achievement of institutional health and diversity as a context for the more direct examination of the federal involvement with this goal.

*Progress Toward Institutional Health and Diversity*

As a broad goal, institutional health and diversity implies that postsecondary institutions are sound both financially and educationally. Because of the difficulty in measuring educational vitality, it is necessary to select financial health as both a direct and indirect method of assessing the achievement of this goal. The following criteria will be employed: To what extent have postsecondary institutions in terms of institutional type and type of control (public-private) maintained the financial stability that was achieved during the financially prosperous years of the 1960's?

It is not necessary to detail the existence of a financial crisis in American higher education. Earl Cheit (1971, 1973), the Carnegie Commission on Higher Education, and a variety of groups and in-

dividuals have all, in varying degrees, collected evidence to indicate that a financial crisis existed. No one would argue that postsecondary education, across the entire spectrum of institutions, has maintained in the 1970's the stability that characterized the 1960's. But financial problems have differentially affected postsecondary institutions and it is useful to examine these differences and some possible explanations for the disparities.

Financial distress has seemed most severe within the private sector where tuitions have risen rapidly. Many private institutions that have neither high prestige nor specific constituencies have been in danger of being priced out of the higher education market. Cheit (1971, 1973) has found that private institutions are hard pressed to offer additional aid to low- and middle-income students with each increase in tuition. Some private colleges that find it difficult to attract students are too "small" to practice "economy of scale" and be cost effective (Smith 1971, pp. 123-142). Costs are higher for private schools than for public institutions and these higher costs cannot be explained by examining basic differences between the two sectors (Leslie 1973, p. 12). In addition, while tuition within the public sector has increased substantially, it does not approximate the percentage of cost-of-education financing that private tuition provides.

In 1950, the private sector was educating 50 percent of the college population. By 1975, its percentage share had dropped to 22 percent. In the 1970's, according to Shulman, fifty private institutions have closed, fifteen have merged with other institutions, and six have become public. During the same period of time, twenty-six new private institutions have been established (Shulman 1974, p. 1).

Within the private sector, the most prestigious institutions, meaning four-year, selective liberal arts colleges and nationally recognized universities, have been least affected by enrollment declines. Even these institutions have not escaped financial difficulties due to the decline in research funds, foundation and private gifts, and the effects of inflation. "Invisible colleges," or the less prestigious private liberal arts colleges, have faired considerably worse than their selective, more renowned counterparts. Still, those "invisible colleges" with a special mission or directed toward a specific clientele have enjoyed a somewhat easier time in attracting their needed enrollments and maintaining a semblance of financial stability. The Carnegie Foundation for the Advancement of Teaching has predicted that such special purpose private colleges will continue to survive: ". . . black colleges, women's colleges, and some religiously affiliated colleges may fare O.K.

because of new strength from the link to their particular constituency" (*More than Survival* 1975, p. 77).

The institutions most affected by financial strain in the private sector are the junior colleges. These institutions face severe competition from low-cost, and in some cases, free public community colleges. Private two-year college enrollments declined by 3.5 percent for the 1973-74 academic year (*Chronicle of Higher Education*, December 16, 1974, p. 8), while the public community colleges continue to grow.

The financial picture is more mixed in the public sector. In some public institutions, enrollment pressures continue while appropriations do not keep pace with rising costs. Many of these institutions find that for every student not covered with increased funds to meet the increased cost of education, other cutbacks are required. Still other institutions, such as state colleges and regional universities, are experiencing sharp market declines in enrollment. Four-year public colleges, many of which were formerly teachers' colleges, have probably been the most severely hit by shifts in enrollment patterns, and their relative financial status has suffered accordingly. Major research universities have held their financial status relatively constant for the past several years by maintaining enrollments and attempting to improve efficiency. As mentioned previously, public community college enrollments have climbed substantially in the past few years, which has contributed to a relatively stable financial condition.

There is a considerable difference of opinion regarding the extent of the financial problems confronting American postsecondary education. According to some observers, higher education has recently gone through a recurring series of financial crises, while others view the current situation in a larger historical context. But nearly all observers of postsecondary education seem to agree that compared to the financially prosperous period of the 1960's, the financial stability of the majority of postsecondary institutions has declined markedly. Further, the diversity of the postsecondary enterprise has been severely strained by the interrelated factors of declining enrollments and higher costs that have affected private colleges and universities. Several institutional types, especially major research universities, both public and private, have fared relatively well. But at a global level, the health and diversity of American postsecondary education has been threatened.

*Achieving Diversity: Present and Future Policy*

Earl Cheit (1971, p. 11) has found that colleges and universities began to first experience financial pressures by the 1968-1969 academic

year. During this period, federal research grants reached a peak and began to level off in some fields and decline sharply in others. In terms of constant 1967 dollars, the amount of federal research grants leveled off in the early 1970's and by 1974-1975 were well below their 1967-1968 level (*The Federal Role in Postsecondary Education* 1974, p. 18). Federal predoctoral fellowships and traineeships have also declined, from assisting 51,400 graduate students in 1968-1969 to 18,000 in 1974-1975. Expenditures for fellowships and traineeships dropped from $262 million to $80 million over the same period (*The Federal Role in Postsecondary Education* 1975, p. 75).

Declining federal support for research, as a major form of institutional support, has been accompanied by an overall leveling off of the rate of growth of federal funding for postsecondary education. Following the passage of the 1972 Education Amendments, the proportion of federal monies appropriated for postsecondary education swung dramatically from institutional aid in the form of research, training, and grants for special purposes to a variety of student aid programs. Although state governments, students as consumers, and a variety of individuals and groups have contributed to the financial stability of postsecondary education, the Federal Government has continued to assume a major responsibility. Insofar as it is possible to ascertain, What are the implications of current federal policy, especially the emphasis on student aid assistance, for the achievement of a healthy and diverse structure of postsecondary education?

Since the 1972 Amendments, many of the new "disadvantaged" students have been funded with federal BEOG, SEOG, and CWS monies as well as through guaranteed loans and a variety of other programs. The federal monies that these students have brought to higher education have contributed to the financial health of institutions, especially in the private sector where tuition and fees more nearly approximate the cost of education. Because general institutional support had previously gone largely to public institutions, students receiving federal support have indirectly contributed to the financial health of the private sector. Federal student aid financing tends to favor private institutions because small institutions, most of which are private, receive more funding per student. In addition, students selecting private colleges tend to receive larger grants than those in public institutions. This is because the Federal Government, by intent or not, has provided disproportionate assistance to the private sector through the one-half cost provision of the Basic Educational Opportunity Grant program. It should be noted that this policy continues to be attacked by many public institutions as discriminatory against the less affluent

student who could otherwise cover all or most of his educational costs within the current $1,400 BEOG ceiling at a public institution. Finally, student aid has been less vulnerable than institutional grants to constitutional challenges to government support of private schools. The private sector therefore enjoyed some benefits from the federal support given to disadvantaged students.

Although student aid programs have brought new monies to private institutions, there are several factors surrounding this form. The current levels of federal support suggest that federal support has been of little, if any, overall assistance in helping the financially troubled private sector.

First, the Higher Education Act of 1972 stipulates that federal funds to institutions must be used only "to defray instructional expenses in academically related programs," and that the institution "will expend during the academic year for such related programs, an amount equal to at least the average amount spent during the past three years." The accepted interpretation of these guidelines is that, even if funded, these additional monies will not be available to offset deficits but primarily will be used for the disadvantaged students recruited. At the very least, the admission of such students has not done much to alleviate the financial problems of many small private institutions because of the added costs of expanding curricula and increasing support services needed to serve low-income groups, particularly those of minority races. For many private institutions, the promise of federal support through student aid has been tempered by the reality of the added costs associated with educating new students.

Second, the level of federal funding of student aid has done little to alleviate the problems of the financially plagued private sector. Cheit (1971, 1973) has found that private colleges, in particular, are still hard-pressed to provide additional financial aid money to students not eligible for federal or state programs or not covered adequately by such programs to meet their real expenses. According to the American Council on Education, ". . . institutions are annually pouring more than $500 million of their own, largely unrestricted, funds into the gap left by the inadequacy of funds from states and federal sources" (American Council on Education May 14, 1974). Thus in many cases endowment funds or current income funds have been used to supplement aid to students, thereby putting the institution in an even weaker financial situation.

Finally, federal student aid programs have apparently influenced students who would otherwise have gone to public institutions to

select private institutions. However, preliminary investigations at the Center for the Study of Higher Education at the Pennsylvania State University suggest that the actual numbers may be quite small (Leslie 1973, p. 13).

In all likelihood, many private institutions have been affected differently by federal policy. There is little evidence to indicate whether more prestigious institutions, for example, have benefitted more or less than their lower-status counterparts. It is apparent that federal student aid programs, which earlier had been viewed as new sources of revenue for the private sector, have probably not had the overall anticipated financial impact.

It is also doubtful that the recent federal emphasis on student assistance has strengthened the public sector. On the whole, public institutions have fared better financially than their private counterparts not because of federal assistance through student aid programs, but because of increased state support coupled with lower costs and more stable enrollment patterns. But, with the federal withdrawal from direct institutional aid, the majority of public institutions no longer continue to enjoy the level of federal support which, especially in the 1960's, was instrumental in the rapid expansion of a prosperous public sector of higher education.

Although the focus here has been on viewing the federal role in terms of increased emphasis on student aid, it should be noted that a number of other federal programs, although few in number and underfunded, have contributed to the vitality of the postsecondary enterprise. The Fund for the Improvement of Postsecondary Education and to a lesser degree the National Institute for Education have stimulated research and academic innovation in both the public and private sector. Also, the Aid for Developing Institutions Program has had a positive impact on a relatively small number of institutions, especially the traditionally black colleges.

By focusing on the major trends in federal policy, it is apparent that the federal approach to funding postsecondary education through student aid, whether funded directly through the student or indirectly through the institution, has not always served as an effective vehicle for promoting the health and diversity of postsecondary institutions. Although student aid funding initially seemed to suggest a boon to the private sector, the implementation guidelines of the program and the level of funding have, at best, provided only minor assistance to private institutions. In the meantime, the majority of public schools have not enjoyed previous levels of federal support.

Of course, the Federal Government provides only a fraction of the revenue of postsecondary institutions. And just as the Federal Government was not the only force contributing to the growth of postsecondary education, it should not necessarily assume the major burden for maintaining its vitality. But to the extent that it has assumed a definite responsibility, its policy should be evaluated in terms of its contribution to the overall institutional health and diversity of postsecondary education. On balance, the shift toward student aid has not served to maintain a strong federal commitment to this goal. The federal promise of the 1960's has been implemented through a variety of student aid programs, funded substantially below authorized levels, that have contributed little to the overall diversity and quality of postsecondary education.

Turning our attention to the future, it is obvious that a number of important factors are likely to influence the health and diversity of American higher education in addition to the policy of the Federal Government: the complementary relationship of the job market and enrollment patterns, the overall role of the states, and the resourcefulness of persons intimately connected with postsecondary education. But if it is assumed that the future vitality of postsecondary education is uncertain, then the Federal Government, in terms of the current level of funding and the emphasis on student aid assistance, will subtly move away from a commitment as a major guarantee of the well-being of a diverse structure of postsecondary education.

*Conclusion*

To summarize, the Federal Government provides roughly one-quarter of institutional income. While federal policy has furthered progress toward universal access, that policy has failed to help promote greater social equality. The emphasis on student assistance compared to direct institutional aid has not markedly contributed to the financial health of the public and private sectors. In our view, if federal policy continues to follow its present pattern, the achievement of both equality of opportunity and institutional health and diversity may be placed in further jeopardy.

## New Directions for Federal Policy

If one accepts the two goals of "equality of opportunity" and "institutional health and diversity," then the policy question becomes: How does the Federal Government reconcile these goals in a coherent pattern for supporting American higher education?

In light of our discussion of the implications of current federal higher education financing, we submit that a more fruitful question be asked: Should and can the Federal Government support postsecondary education as an instrument of "equality of opportunity" and be a major guarantor of the "health and diversity" of American higher educational institutions? Depending on the answer to that question, different vehicles and different levels of federal funding are implied. The following recommendations are based upon the implications of current federal education policy and our corollary belief that although improved access, choice, and retention are goals worth pursuing, higher education should not and cannot effectively serve as the major vehicle for realizing greater social equality. In short, we base our recommendations on the interpretation that the Federal Government is attempting to accomplish too much and is not succeeding in its attempts. Taken together, these recommendations offer an alternative to current federal higher education policy. Before outlining our recommendations, it is appropriate to review the recommendations of several major commissions concerned with the federal role in postsecondary education and to explicate our guiding principles.

### *A Comparison of Two Major Reports*

There have been many recent task force reports that have made recommendations concerning the role of the Federal Government in postsecondary education, as well as state and institutional roles, and outlined areas of future federal concern and initiative. These include: The Committee for Economic Development (1973), the National Commission on the Financing of Postsecondary Education (1973), the Carnegie Council for Policy Studies (1975), the Newman Reports (1971, 1973), in addition to a number of other reports that have been less widely circulated.

As a way of providing a context for our recommendations, it is useful to compare several reports that seem to most adequately reflect the direction of recent recommendations concerning the federal role, and

which have already had, and are likely to have, considerable influence on federal policy. In our view, the Carnegie Commission Reports and the Newman Reports most satisfactorily meet this criteria. The Carnegie Commission on Higher Education has probably done more to influence higher education than any single group in this century. Indeed, three provisions of the 1972 Higher Education Amendments—the Basic Educational Opportunity Grants program, the cost-of-instruction supplements, and the Fund for the Improvement of Postsecondary Education—reflected the recommendations of the Commission. The Newman Reports, which are recommendations to the Secretary of the Department of Health, Education and Welfare, represent a logical extrapolation of current trends in federal higher education policy.

In this section, we shall neither summarize these reports nor outline them in great detail. Instead, we shall briefly concentrate on three major issues regarding the federal funding of postsecondary education: (1) To what extent should student aid programs be the major vehicle of federal funding? Should student aid, whether in the form of grants or loans, be portable so that students could bring their aid to the institution of their choice? Or should the aid be dispensed by institutions? (2) To what extent should institutional aid be an instrument of federal funding and in what forms? (3) To what extent should the private sector be assisted by the Federal Government?

Both reports agreed that because equality of opportunity was the major federal responsibility, student aid, chiefly in the form of grants to lower-income students, should be expanded. In *Quality and Equality: New Levels of Federal Responsibility*, the Carnegie Commission offered the following guidelines to achieve the overriding priority of the achievement of educational opportunity:

> The three interacting elements of the proposed federal aid program to remove financial barriers are all of great importance: financial aid to students, with a substantial component of grants for low-income students and a moderately expanded loan program primarily for middle-income students; cost-of-education supplements to institutions; and creation of new places to accommodate all qualified students (1970, p. 2).

In particular, the Carnegie Commission recommended full funding of the Basic Education Opportunity Grants. The Newman Report, with its almost complete attention to student aid as the major vehicle of federal funding, is even more forceful in its recommendations for increased federal funding for students.

Both reports recommend that student aid, including grants and

loans, should be portable in the sense that students would receive their support independently of the institutions they chose to attend. Portable student aid would widen student choice of institutions and would motivate institutions to respond more directly to students. The 1971 Newman Report emphatically recommended portability of student aid: "Providing funding through grants accompanying students (portable grants) has the advantage of encouraging a sense of competition and willingness to change as society changes" (U.S. Office of Education 1971, p. 74).

Neither the Carnegie Commission nor the Newman Reports recommended direct institutional support for postsecondary education. Both groups recommended that federal grants to institutions be directly related to student grants. To encourage colleges to foster equality of educational opportunity, the Carnegie Commission recommended "that the federal government grant cost-of-education supplements to colleges and universities based on the number and levels of students holding federal grants enrolled in the institutions" (1970, p. 6). The first Newman Report recommended more broadly that "both the state and federal governments provide funds to institutions (both public and private) in the form of grants that accompany certain categories of students" (1971, p. 74). The Newman Reports did not consider other types of institutional aid except for recommending categorical grants for innovative programs. Meanwhile, the Carnegie Commission recommended that the only other funds awarded institutions should be for construction and special purpose grants, such as aid for developing institutions. Federal categorical aid, which was previously the major instrument of federal support, received little support relative to institutional aid directly tied to student grants. Direct federal support for educational expenses, which was recommended by many groups in the late 1960's, is not even a major issue in these and other major reports.

The Carnegie Commission and the Newman Task Forces both acknowledged the educational contributions of private institutions and expressed concern about the future of private higher education. In our view, both groups overlooked the importance to higher education of the private sector. The Carnegie Commission, however, recommended state aid to private institutions in the form of capitation grants to students attending private schools. The Newman Reports only recommended that needy students attending private institutions should receive additional grants to help defray high tuition costs. Neither the Carnegie Commission nor the Newman Task Force suggested that private higher education may require major federal as

well as state support. For example, neither recommended direct federal sponsorship of programs or matching grants to states.

In summary, these recommendations include several major themes for the proposed federal role:

- Student aid programs should be expanded as the major vehicle for the federal funding of postsecondary education. Student aid, especially in the form of grants to low-income students and loans to low- and middle-income students, is the preferred method of directly achieving universal acccess and indirectly supporting postsecondary education. In effect, the Federal Government should finance higher education through students or, more colloquially, through a "market model."
- Student aid should be portable in the sense that students should receive support independent of the institutions they choose to attend.
- The majority of federal institutional aid should be through grants tied directly to student grants. The remainder of federal institutional aid should include only carefully designated categorical aid programs, such as those to encourage research and innovation. The Federal Government should not provide for general institutional support for colleges and universities.
- The governmental responsibility for private higher education rests largely with the states. Federal support should not go beyond additional grants to help defray the higher costs of private education.

These recommendations are largely incremental, emphasizing a direction in which the Government is already moving. The recommendations of the Carnegie Council, in particular, probably hastened these overall trends. Yet even though these two groups and the previously mentioned policy-recommending bodies broadly support the direction of current federal policy, we propose a set of recommendations that offers modified goals for federal policy and alternative mechanisms of federal funding. Stated below are the principles that have guided our own policy recommendations.

*Guiding Principles*

Our recommendations are based on two major principles:

- Basic support and responsibility for higher education should remain with the states and private individuals. It is, however, in the national interest to provide strong and consistent federal support for postsecondary education.

• The two major priorities for federal funding in higher education should be the maintenance of a healthy and diverse structure of postsecondary education, and the realization of the goal of universal access.

The rationale for the first principle will be elaborated in the discussion of the second. The rationale for the second principle deserves immediate attention.

Like many Americans, we share the belief that equality of opportunity is a national goal that should be encouraged and realized throughout American life. It follows that postsecondary education, as a major social institution, should be made available to all citizens who wish to participate, allowing them to enjoy the fruits of further education. The goal of universal access, as public policy, represents a federal commitment to the achievement of that goal. But universal access, both for many new participants in postsecondary education and for many public policy-makers, has nearly become synonymous with greater social equality; that is, rather than access being viewed simply as a means of ensuring educational opportunity, it is seen as the most realistic way to provide for greater social equality in American society. It has been argued earlier that the current federal emphasis on access implicitly suggests that access is not simply an attempt to realize equal opportunity within postsecondary education, but also to realize equality of opportunity in the larger society.

For both empirical and normative reasons, we submit that federal higher education policy should not be built around the "broad" conception of equality of opportunity. On the one hand, access to higher education is no longer a guarantee of greater social equality. It was documented that the highly unstable relationship between a college education and the job market had undermined earlier relationships between education and work. Thus, if current patterns continue as projected, federal student aid programs, no matter how generously funded, are unlikely to have the previously expected impact in terms of leading to greater social equality. From all indications, the Federal Government simply cannot appreciably affect the "broad" conception of equality of opportunity by merely providing access to postsecondary education.

On the other hand, it is our normative belief that education alone should not be the vehicle for the redistribution of income and occupational status in American society. The argument of many proponents of federal student aid programs is that education, in light of the unwillingness of the citizenry to change the distribution of wealth

and opportunity through the tax structure, is the only remaining instrument to realize the achievement of equality of opportunity in the larger society. While we are personally supportive of those values, it is our conviction that the related issues of equality of opportunity and the redistribution of wealth are ultimately political questions. They should be confronted in the political system and should not become the cornerstone of a federal policy that is ostensibly directed toward the more limited goal of equality of educational opportunity.

In short, we submit that federal higher education policy cannot, and should not, both provide access to postsecondary education and (either implicitly or explicitly) characterize participation in higher education as the means of upward social mobility. The narrower goal of insuring access is the more legitimate and realizable undertaking for the Federal Government. Thus for us the central problem is one of combining the goals "universal access" and "institutional health and diversity" into a broad pattern of federal funding.

*Recommendation 1: Increasing Federal Support*

Federal expenditures for higher education have risen steadily in current dollars, although there was a decline in constant dollars between 1973-1974 and 1974-1975. Our rationale for increasing federal assistance to postsecondary education is the following:

- Increasing federal assistance is necessary to help preserve the institutional health and diversity of postsecondary education; without continuing high levels of support, the social benefits of postsecondary education can no longer be fully enjoyed by participating individuals and American society at large. Although the main responsibility for funding institutions should continue to rest with the states, it is apparent that the majority of states will not provide sufficient assistance to insure the survival of many institutions. Lyman Glenny, for example, has argued that future state governments will allocate a decreasing proportion of their budgets to higher education: ". . . with the exception of a few states, the proportion of the state budget going to higher education will be no greater in 1980 than it is now—whether there are boom times or bad, Republicans or Democrats in office" (1973, p. 1). Without federal support, many private institutions will simply cease to exist.

- Increasing federal assistance is necessary to achieve the goal of universal access. Current federal support, in the form of student grants and loans, has only begun to move the nation toward the achievement of universal access. Without increasing federal assistance, it is doubt-

ful that many persons historically denied access will have substantial educational opportunity.

- The federal tax structure is a more equitable base of funding than the state and local structures. The progressive income tax now appropriates the greatest portion of the income tax advantage resulting from education to federal, rather than state and local, tax revenues.

In short, we submit that a considerable increase in funding from the federal tax system is socially desirable and economically sound. This is consistent with our belief that a substantial social benefit accrues from investment in higher education at both public and private institutions.

*Recommendation I Expanded:* The Federal Government's share of total public financial support of postsecondary education should be gradually increased from its present 44.4 percent in 1974-1975 to 50 percent by the early 1980's (Carnegie Council . . . 1975, p. 14).

Due primarily to the financial crisis in American postsecondary education and the slow progress toward the achievement of universal access, the Federal Government must increase its overall level of support. This recommendation closely parallels a recent recommendation of the Carnegie Council on Policy Studies (1975, p. 14).

This recommendation is in the same direction as the Carnegie Commission and the Newman Reports, as well as most of the other commission and groups proposing recommendations for the federal role. In our view, the critical decisions concern the major forms of federal support for defined national goals. Accordingly, the following recommendation suggests a new direction for the Federal Government that differs markedly from the recommendations of the other groups.

*Recommendation II: Institutional Grants for Instructional Purposes As the Major Vehicle of Federal Support*

As discussed in the first chapter, direct federal institutional support for higher education, especially in the form of categorical grants and grants for special purposes, was in large measure responsible for the rapid growth of postsecondary education in the last decade. But in the late 1960's, it was clear that the decade of financial prosperity in American higher education would not be repeated. Even though enrollments were increasing, educational costs were rising rapidly. To deal with this situation, attention turned to the possibility of institutional grants for educational expenses from the Federal Government. The American Council on Education (*The Federal Investment*

*in Higher Education,* 1967; *Federal Programs for Higher Education,* 1969), the Association of American Colleges (*Federal Institutional Grants for Instructional Purposes,* 1968), and The Association of American Universities (*The Federal Financing of Higher Education,* 1968) went on record in favor of institutional grants.

According to Howard Bowen:

> The proposal for institutional grants was based on three tacit assumptions. One was that expenditures would continue to rise rapidly because of growing enrollments and rising costs. Another was that, though federal categorical aid was desirable, it did little to meet the basic operating costs of institutions and unrestricted funds were needed as well. The third assumption was that a steady rise of tuitions would be on principle socially harmful (Bowen 1974, p. 4).

The Carnegie Commission gave considerable attention to federal institutional aid (Wolk 1968: *Institutional Aid: Federal Support to Colleges and Universities,* 1972; *Quality and Equality: New Levels of Federal Responsibility for Higher Education,* 1968) and a number of formulas were devised that could be used to distribute institutional aid. But following the passage of the 1972 Amendments, and the authorization and expansion of the overall student assistance program to help realize equality of opportunity, emphasis on the issue of direct funding to institutions declined. The Federal Government had adopted a new course of action, and even proponents of institutional aid conceded that there was little they could do. Based on the implications of the current federal funding of postsecondary education, we submit that current federal funding policies should be revamped to include support for direct educational expenses in the form of federal institutional grants. Our rationale is as follows:

- Additional operating funds beyond traditional sources of support are essential to maintain quality of instruction and more immediately to insure that quality institutions experiencing financial difficulty survive. Despite soaring tuition fees, large increases in philanthropy, and major efforts by the states, the health and diversity of our postsecondary enterprise has steadily deteriorated. Although the majority of states now indirectly support private higher education, these monies are insufficient to maintain the vigor of the private sector. Without federal support, the well-being of private higher education in particular is threatened.

- General institutional support is needed to counter-balance existing federal institutional aid programs. Federal funds now go only to certain types of institutions for certain types of programs, and many

institutions are bypassed altogether. Other institutions only receive minor categorical aid for carefully designated purposes, the exception being institutions involved in the Aid for Developing Institution's program.

- Institutional grants are necessary because federal student aid programs, which were designed to simultaneously provide equal educational opportunity and to assist postsecondary institutions in meeting their educational expenses, have failed to accomplish the latter goal. Despite the compelling logic of student aid, few institutions have financially benefited from enrolling disadvantaged students. Because of rising costs and declining enrollments, the attraction of new students with federal monies has not always had the intended effect. This is especially true in the private sector, where the financial gains attributable to new students has been minimal at best.
- Institutional grants are also necessary because federal student aid programs differentially favor institutions. Only colleges with relatively high enrollments of disadvantaged students can enjoy the marginal institutional benefits of federal funding via students.

In summary, we believe that federal institutional grants must be authorized and funded if the health and diversity of postsecondary education is to be maintained. Additional funding for institutional grants might come in part from the federal monies previously earmarked for veteran's benefits. Due to recent Congressional action, these benefits will require substantially less federal funding in the future.

Institutional grants will be defined as grants made directly to institutions for general support of the educational program. On the basis of our rationale, we offer the following recommendations for federal institutional grant programs.

*Recommendation II Expanded:* A substantial portion of federal support should be through the mechanism of direct institutional grants to postsecondary institutions. Institutional grants in roughly equal proportions should take the form of cost-of-education supplements and direct institutional grants.

Title IV of the 1972 Education Amendments had provisions for cost-of-education supplements for colleges and universities. First recommended by the Carnegie Commission on Higher Education (1970, p. 21), this legislation authorized that the Federal Government grant cost-of-education supplements to postsecondary institutions based on the numbers and levels of students holding federal grants enrolled in the institutions.

We recommend that the cost-of-education supplements be funded as rapidly as possible for the following reasons. Most important, this plan will assist colleges in meeting the increased educational costs associated with educating disadvantaged students. Second, student aid does little to solve, and perhaps aggravates, the financial problems of institutions; therefore cost-of-education allowances would provide a step in this direction.

Third, these supplements would especially help the financially troubled private sector, at least under current student assistance programs. Private higher education is in a less competitive position overall than is public higher education primarily because of the large tuition gap between the two sectors. Recent federal student aid programs (BEOG and SSIG) were expected to disproportionately aid private institutions. Leslie and Fife (1974, p. 667) have found that when enough student assistance is available, grant recipients generally choose to attend private institutions. Thus under current student assistance programs, accompanying cost-of-education allowances will contribute to the financial strength of the private sector.

The Carnegie Commission, in *The Federal Role in Postsecondary Education*, recommends that "funds should be provided for the cost-of-education supplements adopted under the Education Amendments of 1972, with annual appropriations rising to about $800 million in constant 1974 dollars by 1979-1980" (1975, p. 51). While we support the thrust of the Commission's recommendation in this area, we are less persuaded that cost-of-education allowances, no matter how generously funded, will, in a fair and equitable manner, make a significant contribution to the health of both the public and private sectors. Our reason for this position is that the manner in which federal student aid programs are targeted will result in an inequitable distribution of student aid funds and thus of cost-of-education allowances. That is, cost-of-education allowances following students based upon particular student-aid criteria will have the effect of allowing those students to help determine the fate of many of the nation's colleges and universities. An artificial "market model," based upon continually changing patterns and levels of support, will determine which institutions are to receive the greatest federal funding. Thus, on the one hand, we view cost-of-education grants as a sensible method of providing federal aid to help institutions meet the rising educational costs of disadvantaged students and, at least in the short run, a good vehicle for aiding the private sector. On the other hand, given the vagaries of student aid funding and the dangers of a "market model," it is an inadequate method of federal funding to help pro-

vide stability for both public and private higher education, especially over the long run.

Accordingly, we recommend that a substantial amount of federal institutional aid be funnelled through direct institutional grants in order to enlist the Federal Government as a partner in meeting future increases in the educational costs of colleges and universities. A number of specific formulas were introduced into the debate on institutional grants in the late 1960's. Howard Bowen (1968, pp. 18-21) offered a plan in one of the first monographs sponsored by the Carnegie Commission on Higher Education. In the past few years, and especially following the 1972 Amendments, there have been few alternative formulas introduced. Given this lacuna, we recommend the enactment of new legislation that would provide general institutional support on the following broad principles:

- All nationally and regionally accredited institutions should be eligible for institutional grants.
- All federal institutional grants should be based (in large measure) on a formula related to full-time equivalent (FTE) enrollment, both at the undergraduate and graduate levels.
- There should be a factor in the formula for institutional grants that takes into account the variance of instructional costs according to the level of instruction.
- The formula should take "quality" into account as a way of rewarding existing quality and of encouraging other institutions to strive for excellence.

We believe that institutional grants for educational expenses should complement cost-of-education allowances. By themselves, these supplements will allow institutions to meet the costs associated with educating the new student clientele. Institutional grants, for reasons cited earlier, will provide an equitable and broad base in support of the overall health and diversity of American postsecondary education.

To the extent that the states are unable to ensure the health and diversity of American postsecondary education, we believe that it is incumbent upon those persons and organizations concerned with American education to reevaluate the notion of direct institutional aid. Since the initial funding of the Education Amendments of 1972, there has been little evidence of support from the higher education community for direct institutional aid due to the high priority given to student aid. Another major explanation for this is that some view the current political climate as less than conducive to recommendations that, in effect, broaden the base of federal responsibility. Others

fear that federal funds may simply replace funds raised from non-federal sources.

Political realities notwithstanding, we believe that the future vitality of our postsecondary education system is at stake. Furthermore, the history of federal funding illustrates that we can build safeguards to assure that federal funds are not used to replace other financial sources. To cite one example, federal funding for the support of land-grant colleges has greatly stimulated both state and private support of institutions founded under the Morrill Act. The federal emphasis on supporting postsecondary education chiefly through disadvantaged students must be challenged. For reasons cited in the rationale, the issue of institutional aid must be re-examined.

*Recommendation III: Student Assistance to Promote Universal Access*

In the late 1960's, there was a widespread sentiment in Congress that a major goal of federal programs should be to encourage needy and low-income students to attend college. The 1969 Rivlin report (*Toward a Long-Range Plan for Federal Financial Support for Higher Education: A Report to the President,* 1969) argued that federal aid should increasingly take the form of grants and loans to low-income students, with institutional aid in the form of added cost-of-education allowances to assist those institutions accepting needy students. The 1972 Education Amendment marked the authorization of the Congressional decision that federal support for higher education would henceforth come primarily through grants to students rather than through institutional aid for special purposes deemed in the national interest.

In light of our second recommendation, we believe that the overall trend of funding postsecondary education chiefly through student grants and loans be reexamined. Yet, it is also our belief that student aid funding should be continued. Our rationale is the following:

- Because college attendance is closely related to background variables, such as parental education and income-level, only direct federal funding of disadvantaged students will move the nation closer to the achievement of universal access.
- Because the Federal Government, unlike state government, is supported on a generally progressive tax structure, it is the most appropriate level of government to sponsor universal access through student aid programs.
- Because there are many individual nonpecuniary benefits of par-

ticipation in postsecondary education—such as improved interpersonal relations, greater political participation, and better mental health (Withey 1972)—disadvantaged students must be assured the fruits of further education.

• Federal funding through student aid programs, however, should not be construed as a federal commitment to education as the vehicle though which greater social equality in the larger society can and should be achieved. Far too many disadvantaged have attended and currently are attending college on the premise that attendance will lead to greater social mobility. While the Federal Government has not explicitly funded student aid programs on this assumption, this premise has subtly underpinned the recent federal emphasis on student aid assistance. We believe that student aid programs should be funded solely for the purpose of equalizing educational opportunity, so that persons previously denied access can also enjoy the benefits of postsecondary education.

*Recommendation III Expanded:* Direct institutional support for postsecondary education should be complemented by student aid programs for disadvantaged students, especially the BEOG, SSIG, and CWS programs.

In general, we submit that student aid programs should be funded on the following broad principles:

• All persons disproportionately denied access to postsecondary education because of income level and educational background, regardless or race, ethnic background, sex, and age should be the main recipients of federal student aid programs.

• Private as well as public institutions should indirectly be assisted.

• Student aid programs should not serve as the only major mechanism for the funding of postsecondary education.

There are a number of existing federal student aid programs that meet this criteria. In our view, three in particular are the most promising of the student aid programs, although modifications in their features and changes in the level of funding are necessary.

The Basic Educational Opportunity Grants (BEOG) program is, we believe, a preferred federal strategy because these grants are allocated solely on the basis of need. However, there are several problems with the existing BEOG program. First, the eligibility conditions are too restrictive. For example, very little BEOG aid can be received by a student from a family of four with an income above $9,000. Second, the provision requiring that grants may not exceed 50 per-

cent of the students' cost of attendance does not go far enough toward ensuring equality of educational opportunity. Third, the funds appropriated for the BEOG program have been inadequate. In 1975-1976, for example, only $715 million has been appropriated. Based on these limitations, we recommend that the eligibility conditions of BEOG be liberalized, the program be restructured to cover all noninstructional costs, and that federal appropriatons for BEOG be substantially increased. These recommendations, though less specific, closely parallel the recommendations concerning BEOG in the recent publication of the Carnegie Council on Policy Studies in Higher Education (1975, p. 29).

We also urge adequate funding of the State Student Incentive Grant (SSIG) program. The primary reason for this recommendation is that we believe that state governments as well as the Federal Government should provide financial aid to both private and public institutions. In many cases, it is not perceived to be in a state's economic interest to fund private institutions, often because many of the students are from out of state and/or the existing public institutions are suffering from a combination of rising costs and enrollment losses and require strong support. SSIG grants would further encourage the states, many of which already have effective student aid programs, to continue supporting students at all institutions, and at increasingly higher levels. Federal funds currently made available under the SSIG program have encouraged 41 states to adopt scholarship programs. Although there have been problems of inequity in the allocation of funds for the College Work Study (CWS) program, we also believe that it has proven to be a successful form of both student aid and institutional support.

Finally, we are not suggesting that other federal student aid programs, especially the Supplementary Educational Opportunity Grants Program (SSEOG) and National Direct Student Loan Program (NDSL), be left unfunded. However, we do believe that the remaining federal student grant and loan programs should be reexamined and perhaps eliminated in a move toward previous recommendations for institutional aid.

Although student aid has been recommended as a vehicle for the federal support of universal access, we have recommended moving away from student aid as the only major vehicle of funding postsecondary education. Our reasons relate to the preferred goals of federal policy and the most appropriate means of achieving them.

In stating our guiding principles, it was made clear that the goal

of institutional health and diversity should be equal in importance to universal access. While federal student assistance has brought federal monies to postsecondary institutions, it is our position, for reasons elaborated upon earlier, that institutional grants are a better means of federal support to maintain a healthy postsecondary enterprise. To the extent that these two goals are of equal importance, institutional grants should complement, rather than be replaced by, student aid programs for disadvantaged students.

A widely held point of view is that student aid is the logical federal vehicle both for promoting access and encouraging institutional health. Accordingly, a much publicized government strategy is the stimulation of competition among institutions. The Basic Educational Opportunity Grant program and the phasing-out of institutional aid have ostensibly been the vehicle through which the government encourages institutions to compete for students, thereby insuring the "survival-of-the fittest." This "market model" is in our view a poor method of insuring a healthy and vigorous public and private sector of higher education. Larry Leslie, a critic of the market model philosophy, offers a viewpoint similar to our own:

> Total or near total funding of higher education through student vouchers may represent good economics but it represents poor "higher education" . . . Other social functions may be cast aside when a social institution is placed on a market system. Nevertheless, the temptation does exist to turn higher education completely upside down and shake it, so severe is present disillusionment with the system (1973, p. 16).

Federal student assistance programs have especially failed to meet the resource needs of private higher education. Without direct federal aid, many private and public institutions may find it impossible to continue if left to the vagaries of the marketplace.

## Conclusion

We support current federal policy to the extent that the best allocation of resources to postsecondary education and the best use of resources by the system will result from a policy of stabilized public support for higher education. Moreover, we support current federal funding of a variety of student aid programs as a way of moving toward the achievement of universal access. At the same time, we do not believe that student aid programs should be funded on the premise that a college degree is a medium of social mobility for disadvantaged students. As discussed earlier, it is our belief that the Federal Government should not and cannot effectively fund student aid programs as a way of realizing greater social equality in American society. Put differently, student aid programs should be funded solely as a tool through which disadvantaged students can continue their education. We are optimistic that the existing student aid programs, with modifications and additional federal funding, will help to insure that every student capable of benefiting from higher education will have the opportunity and incentive to continue her or his education. At the same time, we recognize that even with the current emphasis on student aid, progress toward the achievement of universal access has been gradual and uneven.

We have also recommended a major shift in the federal role by advocating federal support in the form of cost-of-education allowances and institutional grants for direct educational expenses. The latter proposal is contrary to current federal policy, the recommendations of most of the major commissions, and the widely-shared sentiment against increasing federal funding of postsecondary institutions. Heretofore, federal funding for institutions has taken the form of categorical grants and grants for special purposes. While we are not opposed to traditional forms of institutional funding, we believe that without direct federal support, the health and diversity of postsecondary education is at issue, especially that of private higher education. Student aid programs, no matter how amply funded, are inequitable and are an ineffective method of preserving the financial integrity of postsecondary education.

Therefore, a different direction in federal policy is recommended. Federal policy should be alterted to reflect a major commitment to the health and diversity of public and private higher education in

America. This is not a recommendation to place renewed emphasis on the old indirect forms of institutional aid. The intent is to consider the possibilities of cost-of-education allowances and institutional grants for general educational support as ways of federal support for the goals of universal access and institutional health and diversity. Although gradual progress toward universal access may occur, strict reliance on student aid programs implies a standard of achievement that may lead only to disillusionment among those institutions that survived and may have become increasingly homogeneous. A vigorous and diverse system of postsecondary education requires more direct federal support.

Our intent in this monograph has been to review federal higher education policy, discuss the implications of that policy, and offer a broad set of recommendations concerning federal support, with a focus on the undergraduate level. To the extent that we have addressed the central issues regarding the federal role, in part by questioning trends in recent federal policy, we hope to stimulate a more imaginative and thoughtful dialog concerning the purposes of federal higher education policy and the most effective means of their implementation.

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